Minutes*

Faculty Consultative Committee
Thursday, February 25, 1999
12:45 – 3:45
Room 238 Morrill Hall

Present: Sara Evans (chair), Kent Bales, Gary Davis, Mary Dempsey, Marilyn Grave, Stephen Gudeman, David Hamilton, M. Janice Hogan, Roberta Humphreys, Michael Korth, Marvin Marshak, Judith Martin, Fred Morrison, V. Rama Murthy,

Absent: Linda Brady, Leonard Kuhi, Matthew Tirrell

Guests: Professor Richard McGehee, Mark Bilderback, Jody Feingold, (Health Plan Task Force; Watson Wyatt and Company, consultants thereto); Executive Vice President Robert Bruininks; Vice President Carol Carrier

Other: Robert Fahnhorst (Employee Benefits); Jim Thielman, University Relations

[In these minutes: report of the health plan task force on University faculty/staff health care options; reorganization of Institutional Relations and institutional communication; discussion with EVP Bruininks about administrative reviews, Coffman remodeling, the Rochester center, principles underlying the University budget and the need for a task force on said subject]

1. Health Plan Task Force

Professor Evans convened the meeting at 12:45 and turned to Professor Richard McGehee to lead the discussion.

Professor McGehee recalled that the reason for the establishment of the Health Plan Task Force in fall, 1997, was because of the loss of Medica Premier as a health care option: 30% of those at the University were enrolled in the Medica Premier plan, and many of them had chosen the plan because it offered good access to University providers. The alternative means of access to the University was very expensive. The loss was not well-received at the state, either, so it also began studying health care options for state employees. One change that has occurred is that the University now has two representatives on the state labor-management committee, which deals with health care options, and that has been a great help in tracking what the state is doing and raising issues important to the University.

Among recent developments is a move toward a new purchasing model, away from "health plans" to "care systems." Health plans include organizations such as Medica Premier, HealthPartners Classic, BCBS State Health Plan; care systems include the Allina Medical Group, Fairview Physicians, and University of Minnesota Physicians. The health plans were supposedly going to be made better by competition, but what has happened is that they try to get rid of sick people and recruit healthy ones.

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Assembly; none of the comments, conclusions, or actions reported in these minutes represent the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

Eventually, the plans that end up with more sick people do not survive (e.g., Aware Gold, Medica Premier). This same thing is happening with the State Health Plan.

As a response, the State is planning to sign contracts directly with the care systems instead of the health plans. Currently, there are five health plans offered to state and University employees. It is expected that there would be more than 30 care systems available in the state. One new feature is "risk adjustment," whereby the state plays more to a system that has more sick people and less to a plan that has more healthy people, thus (presumably) removing the incentive for systems to compete for healthy people and get rid of sick people. One model of this kind of system is in place, the Buyer's Health Care Action Group.

The timetable for change has slipped; change will not be made by January 1, 2000. Normally the cycle for change is two years, so the next point of change with minimal disruption would be 2002. Since the state does not believe the State Health Plan will survive, it intends to put a new plan in place earlier. Such action, however, is fraught with logistical and political difficulties.

Professor McGehee said, in response to a question, that theoretically most physicians in the health plans would also be in the care systems, so change in doctors should not be required. That remains a big question, however. He also said that current thinking is that all plans will be designed to have point of service coverage (i.e., out of area) with a deductible and co-pay.

One big problem is that the state needs more money, because it must be self-insured. Right now it is not; in some cases, the health plans are insured; if the state moves to care systems, it would have to fully self-insure and would need a reserve. It would also need to pay for transition costs. The Governor's budget has included funds for this change (which will require legislative approval).

The good news for employees is that the state contribution would go up under the new model. Because there would be less differentiation between high- and low-cost plans (because of the risk adjustment), the low-cost plan would be more expensive, and contributions would increase. The state funding being proposed would be for two years, after which time the agencies would be on their own. This would mean the cost to the University would increase.

The state has issued a request for proposals for plan administrators and received quite a number; it is in the process of choosing. (At present not enough care systems have responded to create an acceptable health plan, but they may be awaiting the choice of the administrator. It is also certain that the unions will not agree to a new plan unless there is a close resemblance between current and future choice of doctors. The plan falls apart if there are not enough care systems participating.) The plan will also fall apart if the state funding does not become available. At present, however, everything remains on track.

What should the University do? If the plan stays on course and lives up to its promises, it would probably be unwise for the University to leave it. If it falls apart, the patchwork program that would be set up would probably not be what the University wants and it will have to consider setting up its own plan. (And there is much that could go wrong, Professor McGehee cautioned; for example, at some point the unions could decide that salaries and wages were more important than health care, and drop the inclusion of out-of-area coverage, which would then make it less attractive to the University.)

The University must be prepared to do something on its own and not simply go along for the ride with the state plan. For now, however, it should stick with the state, which is a huge operation, with competent people running it and significant buying power. The issues important to unions, however, maybe not be the same as those important to faculty (for example, unions tend to favor first-dollar coverage, but that coverage may not be of high a quality as the faculty would want, even if the higher quality would cost a little more). This is always the issue if the University remains with the state: in good times, it will probably be acceptable; in an economic downturn, the unions may make choices the University does not favor.

One issue that has been a part of the discussions is the perception that University employees are more expensive, heavier users of health care, and that if the University went on its own, the costs would be greater. The Health Plan Task Force has tried to come to grips with that issue through two studies. The first one did not lead to any conclusion; the consultants could not tell, with the data available, if the University experience was more costly than the general state experience with health care usage. A second set of consultants did a different study not relying on experience data. Using University demographics and the costs of the health plans, what was the cost to the University to buy health care on the market?

Mr. Bilderback, one of the consultants, told the Committee that the cost estimate for health care, based on the demographics of University employees, is about $132 per member per month. At present the University is PAYING $163 per member per month, through all plans. He emphasized that the $132 would NOT be the University's cost, it is what they THINK the costs would be, but said that with other benchmarks they have with other clients, the $132 figure is more in line with what would be expected (of which about $115 is claims and $17 is administration). Surveys of other HMOs and providers suggests an average claim cost of about $115. The Buyer's Health Care Action Group (a collection of large private sector employers) has a cost of about $100 per member per month.

Asked why the University is paying $163, Professor McGehee said that is a very good question. No one knows. As a result, Mr. Bilderback said, the University should look further. He said, in response to a question, that providers would probably bid without experience data, but that the University would be in a better position if it had such data, and it should be sought. It may be that providers would bid more than $132, without data, because they would not assume all the risk, but there could be clauses about returning funds if experience proved to be less costly than estimated.

Professor McGehee said that no one knows what is going on with the numbers (the $163 versus $132). One piece of data they have obtained is that for the University, the average family size (number of people ensured per employee) is 2.1; for the state it is 2.4. The University could be subsidizing other state employees, University people could be health care abusers, the state itself could be overpaying (the latter is understandable, with a VERY complex plan). He said that more evidence is needed. If there is a $30 per month per member discrepancy, that is a large amount that the University could use in a plan of its own to increase access, and it could leave the state and do better. If there is no such discrepancy, the University should know that.

Professor Morrison congratulated Professor McGehee on the work of the Task Force, and then inquired about timing: could the University decide, on July 1, 2000 (when the state might make a decision), that it did not like the plan and get its own plan in place by July 1, 2001? The consultants said it could, as long as it kept on task. If the University would have to design its own plan from scratch, however, a year might not be long enough, but if it could pick up what the state had already done, it would be.

Professor Marshak pointed out that most University employees are in the Twin Cities or Duluth, but there are employees in every county, so the University must have a plan that goes beyond the metropolitan area. There are a number of ways that could be dealt with, Professor McGehee responded; one would be simply to buy a good plan for the 5% of employees not in the metro areas, which could be done without huge costs--the non-metropolitan employees could very well be big winners if the University were to go on its own. The state does not have this option, because it has too many employees all over the state.

Professor Murthy also expressed appreciation to Professor McGehee, and inquired if University health care usage rates might be different from other clients; he noted that there are ample studies showing that health care usage increases with educational level. Mr. Bilderback said they had examined information for the government, which is more similar to the University, and the rates were still much closer to $132 than to $163. He pointed out that universities could have lower costs, if they make more use of preventive care.

Professor Evans thanked Professor McGehee and the consultants for their presentation, and agreed that Vice President Carrier should be requested to continue to support the process of gathering information.

2. Reorganization of Institutional Relations

Professor Evans welcomed Vice President Gardebring to the meeting and commented that she had asked her to come to discuss the major reorganization of her office that had occurred and to explain the vision that she (Vice President Gardebring) was implementing.

Dr. Gardebring told the Committee that several things came together in December and January that led her to make organizational changes. First, the President suggested she devote more time and resources to community relations (a plan for which has been presented to the Board of Regents for approval). Second, there has been a sizeable financial shortfall in University Relations, which has been operating on a year-to-year basis on a deficit and was using up its reserves; the staff were aware that significant change had to be made by cutting positions. Third, the President suggested using resources to better communicate across the University, so she has created a University Communications Council to look more broadly at communication. In addition, Mr. Etten decided to leave, and another individual also left, so she looked at all the issues together and decided to eliminate one level of management (something the President had asked all of the vice presidents to do) and reconfigured the units that will be reporting directly to her. These changes will also lead to more resources being available to meet the demands for communications activities.

There is nothing sinister about what happened, Dr. Gardebring assured the Committee; she was trying to deal with a budget shortfall as well as respond to the President's requests. She has also asked for a closer look at what her office does in the way explicit internal and external communications and to determine if they are the best mechanisms to use.

Professor Dempsey inquired if Academic Health Center public relations reported to her; Dr. Gardebring said it does not, and it has more money and staff than she does. Her office does, however, work closely with the AHC offices, and there is no conflict between the two. She also noted that the colleges have their own staffs, which is fine in an organization with distributed communications. Her office does a lot of consulting.

Professor Martin asked that not everything be put on the web, and argued for the virtues of receiving pieces of paper with short summaries. Many do not read things such as the minutes of committees, and need a quick communication. Dr. Gardebring agreed. She added that she is NOT going to make changes in communications (e.g., KIOSK, BRIEF, etc.) without extensive consultation, and she has not concluded that existing mechanisms are not effective.

One question that has arisen in this connection, Professor Evans observed, is how Senate actions and policies are communicated to the larger University community, and to the faculty. There is now no regular way for such communication to occur, and it is rather haphazard. Dr. Gardebring agreed that there is no effective system for communication of official University actions.

Professor Martin also complimented Dr. Gardebring on the radio pieces for the University. Dr. Gardebring reported that the effort is being funded by the University Foundation, with the creative effort contributed without cost by Carmichael, Lynch. The radio pieces are not intended to be recruiting tools, but they may have that effect, and are generally being quite well received.

Professor Hogan noted that in many Minnesota small towns, the newspapers feature accomplishments of students at other colleges and universities in the state. Should the University do this? Dr. Gardebring said that it does so now; on receiving information about faculty, students, or staff, articles are prepared and provided to hometown newspaper. There probably needs to be a better connection between the colleges and the News Service to be sure information is provided in a timely manner. Professor Evans added that college public relations staff could help the process along by preparing articles in advance, because the News Service cannot be responsible for over 30,000 students.

Dr. Gardebring emphasized how important and effective Professor Marshak has been with the legislature, and thanked him for his efforts.

Asked how federal relations would be handled now that Mr. Etten is departing, Dr. Gardebring said that she has tentatively planned on making the same kind of appointment: the individual is headquartered on the Twin Cities campus and visits Washington very frequently when Congress is in session. Hiring a Washington lobbying firm or hiring someone to be in Washington full time have been suggested, but she has decided against those alternatives because the individual(s) would lose touch with the campus. She agreed with a suggestion from Professor Morrison that the federal relations focus should be expanded to include more attention to federal agencies. She added that it would be good to have someone who has had a faculty role and understands research issues. She does NOT intend to decrease the University's federal presence, she affirmed.

Professor Marshak alluded to possible changes in higher education in surrounding states, and the opportunities that may exist for the University.

Professor Evans thanked Dr. Gardebring for joining the meeting.

3. Capital Campaign Priorities

Professor Evans now asked that the Committee go off the record to discuss what it believes the priorities in any capital campaign should be. At the conclusion of the discussion, it was agreed that the items identified would be communicated to the President and to Mr. Fischer of the Foundation.

4. Discussion with Executive Vice President Bruininks

Professor Evans next welcomed Executive Vice President Bruininks to the meeting. The discussion touched upon a considerable number of items.

-- The DAILY article about faculty salaries was very well done.

-- Administrative reviews are occurring, under a policy put in place several years ago that covers chancellors, vice presidents, deans, provosts, and others. About a dozen such reviews have taken place, usually at the 5^{th} year of service, and the process is working better than it has before. It is expected that 2-3 such reviews will be conducted each year.

Dr. Bruininks agreed that while much of the material in reviews is personal and confidential, there should be communication that the review has been conducted and the results of it. If it is concluded that the individual should continue in office, the review will include a plan for improvement.

Professor Evans asked that FCC be notified annually of the reviews that will be conducted in the upcoming year.

-- The "revised undergraduate strategy" presented to the Regents is an update on all the undergraduate programs in place, including such things as the residential college and the writing-intensive courses. The report is NOT a new set of directions.

-- Negotiations with the Campus Club are nearly at an end, with an agreement that will be presented to the Campus Club Board for approval.

Discussion of the Campus Club led to discussion of Coffman Memorial Union. Several Committee members expressed grave doubts about the sociological and economic wisdom of the remodeling plans that have been promoted recently in the DAILY and with the students. The nature of the campus, the use of space, and the attractiveness of such a facility to students were discussed; one Committee member described the plans as "reinventing the past," while another said it would be a white elephant. Others said they did not believe that spending the money would lead to students to use the building any more than at present, and that the financing structure will put it at a competitive disadvantage in drawing groups in. If CMU charges for a room, but the Basic Sciences Building does not, groups will hold meetings in the Basic Sciences Building. It is doubtful that the remodeled union will be able to generate the revenue stream projected and necessary.

Committee members inquired if anyone in the University had given serious consideration to the plans, and if alternative plans, such as smaller, dispersed, union facilities (e.g., on the west bank, near the superblock, on the north end of the east bank) would not be more likely to be used by students. The question, it was said, is whether those involved want to provide union space for students or want to remodel Coffman. Those are not necessarily the same.

Dr. Bruininks indicated that he felt a revitalized Coffman could create a stronger sense of place and community for the Twin Cities campus. In addition, expansion of parking and a new dormitory would add a significant number of people to the area. He agreed to consider and share the issues raised by the Committee.

-- Dr. Bruininks provided an update on the situation with respect to what is now called, in documents, "the University of Minnesota at Rochester." He reviewed the core principles upon which University efforts would be predicated, and pointed out that these had been negotiated with the leadership of the MnSCU system. The proposal calls for a branch campus of the University, in partnership with MnSCU and Mayo, which would include stronger connections between colleges on the Twin Cities campus and the Rochester programs.

Dr. Bruininks emphasized that the University has made it clear to the legislature that the funding needed for support of the Rochester campus must come in addition to the University's appropriation, and that it should be a state special. Committee members discussed with Dr. Bruininks the types of academic offerings that might be available through the Rochester campus.

The Committee voted unanimously to compliment Dr. Bruininks on the leadership he has shown in the negotiations, to endorse the discussions that are occurring along the lines that have been outlined thus far, which would provide stronger University leadership in Rochester, and to express its appreciation to him and the administration for keeping the faculty informed as events have proceeded.

-- Committee members were provided a draft discussion paper on Incentives for Managed Growth. The discussion, however, quickly turned to the need to re-examine more broadly the core values and principles that underlie the budgeting and planning process, of which IMG is only a part. One item of major concern to both the IMG Oversight Subcommittee and the deans is the lack of a way to fund and support central services, such as technology infrastructure and the libraries and debt. IMG has made budget decisions more open and accountable, but there have been unintended consequences that must be dealt with.

It was agreed that the Committee on Finance and Planning should frame the issues and ideas for discussion, and that a joint faculty-administration (FCC/Finance and Planning) task force should be appointed to explore them and make recommendations to the governance system and the administration.

One major item is the need for the University to raise money outside the biennial request process (much of which is earmarked to fund all-University needs and services). Another is the identification and funding of public goods in the institution; what are the things that make a university? Another is to examine the question of transfers: before IMG, many were hidden; now they have been recognized, and changed, with dramatically negative effects (e.g., the food service). There are institutional costs, they should not be hidden, but they need to be assessed for appropriateness.

A related matter that led to discussion was how to levy assessments for current obligations. Professor Morrison cautioned strongly against a decision now to impose, for the 1999-2000 budget, a significant assessment on the colleges above the schedule for the Enterprise Systems Projects.

Professor Evans thanked Dr. Bruininks for joining the meeting, and adjourned it at 4:00.

-- Gary Engstrand

University of Minnesota