BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
DECEMBER 6, 2001

[In these minutes: Welcome, Dental Subcommittee Report, Retiree Subcommittee Report, RFP Process Update, Other Insurance Subcommittee Report]

[These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities 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.]

PRESENT: Fred Morrison, Chair, Linda Aaker, David Johnson, Gavin Watt, Pam Wilson, Phyllis Walker, Nancy Wilson, Don Cavalier, Joseph Jameson, Carla Volkman-Lien, Wendy Williamson, Carol Carrier, Gailon Roen, Susan Brorson, Amos Deinard, Peh Ng, Larry Thompson, Rachel Estroff, Barbara Van Drasek, Marjorie Cowmeadow, Theodor Litman, Dann Chapman, Keith Dunder, Robert Fahnhorst

REGRETS: Jody Ebert

ABSENT: Frank Cerra, Steve Burrows, George Green, Richard McGehee

OTHER(S): Kathy Pouliot, Tom Messervey, Judy Garrand, Robert Sonkowski, Pat Urquhart

GUEST(S): Chris Hulla

I). Professor Morrison called the meeting to order and welcomed all those present.

II). Dental Subcommittee Report: Dann Chapman of Human Resources prefaced the Subcommittee's report by stating that based on a commitment the University made to its bargaining units, it must be prepared to offer a product that is virtually identical to the State Dental Plan in terms of cost, coverage levels and a wide-access network through 2003. In other words, the University of Minnesota is not at liberty to change the baseline.

Next, Chris Hulla of Buck Consultants provided Committee members with an explanation of what the dental RFP will include. The basic RFP will request vendors to essentially recreate the offerings that exist today. Then vendors will be asked for quotes on plan improvements and plan changes that would include plan enhancements, simplifying existing plan offerings as well as some benefit reductions. Quotes will be solicited for the following options to determine the impact on premiums:

- Introducing a deductible across the board – both in and out of network. (Not applicable to preventative/diagnostic procedures)
- Making the co-insurances more uniform across the different plans
- Making the annual maximum uniform from plan to plan
- Moving more procedures to the 50% coinsurance level for major dental services

- Redefining restorative and major services
- Increasing the orthodontic lifetime maximums
- Increasing annual maximums
- Decreasing annual maximums
- The cost of including dental implants as a standard procedure
- The cost of buying up even higher annual maximums to cover more catastrophic dental work
- The cost of offering adult orthodontia as a plan benefit at either 50% or 80%
- The premium impact of expanding the network

Vendors will be offered the opportunity to bid on any or all plan designs and/or networks.

Chris Hulla proceeded to go over the handout entitled 'Overview of Dental RFP Q & A Section'. The handout listed many of the "standard" questions for bidders:

- Number of providers of varying types by medical-plan zone
- Rate of network provider turnover
- Provider satisfaction surveys
- Process for adding/removing network providers
- Referral process
- Treatment protocols
- Continuity of care
- Transition planning for new carriers
- Service staff and systems
- Online and telephonic support
- Data management and reporting
- Financial stability and liability measures
- References

The next section of the handout went over additional questions for bidders that the BAC Dental Subcommittee identified as being important.

Chris Hulla fielded questions from Committee members on his presentation. After listening to some concerns, Mr. Hulla stressed that the reason for looking into alternatives to the base plan is to see how significantly these options will impact premiums. Professor Morrison then provided the Committee with some specific examples. To clarify even further, Dann Chapman of Human Resources, illustrated the point by addressing the big issue of how to provide better access to dentists by the consumer. Mr. Chapman stated part of the reason the State Dental Plan Network is currently so limited is due in part to Rule 101, but also the very aggressive pricing structure that the State negotiated with Delta. According to Mr. Chapman if the University wants wider access to providers, it inevitably will cost more money. Then compound the desire for greater access to providers with other items on the Subcommittee's wish list and it all translates into higher premiums.

Committee members identified additional questions they would like incorporated into the RFP. These questions include:

- Are fluoride varnish treatments for children under 5 years of age covered?

- What percentage of pre-authorizations result in a denial of service or a change in treatment?
- What would be the cost for no prior authorizations?
- What would be the cost of increasing the number of preventative visits per year to 4 rather than 2?

Lastly, it was agreed the baseline plan would explicitly specify diagnostic/preventative visits be covered at 100% twice a year as opposed to once every six months.

Wendy Williamson, Chair of the Dental Subcommittee, announced that if Committee members have further suggestions they would like to see incorporated in the RFP to e-mail her within the next week. Ms. Williamson will forward those suggestions to Chris Hulla.

III). Retirees Subcommittee: Gavin Watt, Chair of the Retirees Subcommittee, provided Committee members with some background on the predicament retirees have found themselves in upon retirement from the University of Minnesota. Up until now retirees' interests have not been adequately represented in terms of benefit administration. A communication strategy is being developed between Human Resources and University Relations to bring retirees back into the University system as opposed to the State system.

Next, Chris Hulla provided an overview of Medicare plan offerings that will be included in the RFP:

- Medicare + Choice HMO (also known as Medicare Risk or Medicare Part C) – Represents a capitation arrangement with Medicare. Medicare pays the HMO a specified amount based on the county and zip code of a participant's residence. Potential downsize of this option is the 'assignment of Medicare.' 'Assignment of Medicare' means you only get care in network except for emergencies.
- Cost-Based Medicare HMO - Requires use of network providers if you expect to get 100% coverage. If you do not require 100% coverage but only want the Medicare benefit then any provider can be used. The Cost-Based Medicare HMO offering does not require 'assignment of Medicare benefits.'
- Coordinated Plan Option 1 (This plan is virtually identical to what SEGIP will be offering for 2003) – Medicare participant exposure under this plan includes a \$100 deductible and \$680 out of pocket maximum for prescriptions plus whatever other deductibles Medicare requires. Chris Hulla recommends finding out about the cost of offering a mail order prescription plan with this option. For maintenance drugs a mail order option will not impact the premium but it will reduce cost and increase compliance by plan participants. Coordinated Plan Option 1 is a very expensive plan.
- Coordinated Plan Option 2 – The goal of this plan is to offer a nationwide PPO based plan similar to Coordinated Plan Option 1, but at a lower premium. To accomplish this will require increasing the retiree's out of pocket costs i.e. higher deductibles and higher out of pocket costs for prescriptions. In an attempt to keep premiums as low as possible this plan will move away from a strict co-pay approach for retail drugs and instead use a coinsurance approach.

Committee suggestions and questions related to Mr. Hulla's presentation on plan designs included:

- For comparison purposes, it was suggested to request a quote on Coordinated Plan Option 2 using the same $100 deductible plus prescriptions as Coordinated Plan Option 1 and then obtain a separate quote at the $750 deductible level.
- Because both Medicare + Choice HMO and the Cost-Based Medicare HMO plans are 'off the shelf' plans why is the University getting involved? While both these plans are technically 'off the shelf' plans, the University is at least able to offer a group 'off the shelf' plan. Individual 'off the shelf' plans cost 20-30% more. Group plans offer higher prescription benefits and somewhat lower premiums.

Plan Costs: At present, retirees pay the entire cost of their health care coverage; the University does not subsidize these costs. It was mentioned that an issue that merits attention by this Committee is the situation whereby one spouse is Medicare eligible (retired and over 65) and the other spouse is not Medicare eligible. Currently the spouse not eligible for Medicare must enroll in the UPlan for active employees and pay the dependent/family rate. Although time did not permit at this meeting, Professor Morrison stated this matter would be addressed at a future meeting.

Additional features that the Committee would like to see added to the RFP:

- Access to University of Minnesota physicians in the various plan designs
- Make sure the RFP addresses adequate out of area coverage in all plan designs

IV). Professor Morrison explained what happens next in the RFP process. After today's meeting Mr. Hulla will produce the substantive portion of the RFP and Purchasing will produce the procedural section. Prior to the Committee's next meeting on January 17, 2002, Mr. Hulla will disseminate the substantive portion of the RFP for Committee members to review. Committee members should be prepared to discuss the RFP at the January 17, 2002 meeting. Once finalized the RFP will be sent out to vendors to bid on. Due date for bidders to respond is March 1, 2002. During the first two weeks in March, Buck Consultants will review the responses. Upon completion of the review process by Buck Consultants, the 'Committees of Selection', made up of three people each, will review the proposals with the bidders and come up with final recommendations. By mid April each of these Committees should have reached some fairly firm conclusions concerning which carriers will be chosen thus allowing the final contracts to be drafted.

V). Other Insurance Subcommittee Report: Issues before this Subcommittee include life insurance, short and long term disability insurance, and long term care insurance etc. Many of these offerings are in the collective bargaining agreements and if there is to be a change in benefits it will need to be negotiated accordingly. Furthermore, it was mentioned that the Benefits Advisory Committee does not have jurisdiction over the faculty disability plan or the faculty life insurance plan.

The Committee will focus on life insurance this year and will deal with disability insurance next year. Currently the University of Minnesota has nine different life insurance policies. It is proposed that the nine plans be consolidated down to six by collapsing some plans into one contract and a eliminating a few ancillary features. Chris Hulla fielded questions from Committee members on the proposed life insurance changes.

Next, a discussion ensued as to whether Optional Employee Accidental Death & Dismemberment (AD&D) should be promoted by the University. Although AD&D is relatively inexpensive it only protects against accidental death and dismemberment, and may be a somewhat misleading benefit. According to Dann Chapman of Human Resources, Optional Employee AD&D has been promoted to individuals who have applied for optional life and are unable to pass underwriting (uninsurable). Because there is no underwriting involved in AD&D, individuals that do not quality for optional life have the option to purchase Optional Employee AD&D and receive some level of protection. Professor Morrison encouraged Committee members to think about how the Optional Employee AD&D should be dealt with; especially in light of the fact that AD&D is already a rider to the general life and optional life insurance policies.

Three additional alternatives to the basic benefit set vendors will be asked to bid on:

1. Increase all basic coverage up to the faculty level (1 x Pay + $25,000) and price with and without adding back "15% of optional amount = paid up at retirement feature.
2. Ask bidders to quote a price converting Optional Employee AD&D amounts into optional life insurance amounts based on some duration of how long the policy was held.
3. Reduce basic amounts per a qualified ADEA (Age Discrimination & Employment Act) reduction schedule at older ages i.e. reducing 20% per year after age 70 to a flat amount of $5,000 after age 75.

VI). With no further business, Professor Morris adjourned the meeting.

Renee Dempsey
University Senate