BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
FEBRUARY 19, 2009

[In these minutes: Medication Therapy Management (MTM) Update, UPlan Response to Budget Reductions]

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

PRESENT: Gavin Watt (chair), William Roberts, Dale Swanson, Jody Ebert, Rhonda Jennen, Sara Parcells, Sandi Sherman, Nancy Fulton, Joseph Jameson, Carla Volkman-Lien, Carl Anderson, Amos Deinard, Judith Garrard, Richard McGehee, Michael O'Reilly, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Tina Falkner, Karen Wolterstorff, Jennifer Imsande, Michael Marotteck

ABSENT: Carol Carrier, Frank Cerra, George Green, Fred Morrison, Keith Dunder

OTHERS ATTENDING: Linda Blake, Ted Butler, Karen Chapin, Joyce Carlson, Kurt Errickson, Betty Gilchrist, Joe Kelly, Kathy Pouliot, Jackie Singer, Sherri Stone, Curt Swenson, Phyllis Walker

I). Gavin Watt called the meeting to order.

II). Karen Chapin reported that Employee Benefits plans to rollout the Medication Therapy Management (MTM) program on March 15, 2009. This program will be communicated to UPlan members via the Employee Benefits' newsletter, and information on their website.

A member noted that his pharmacy was not on the list of participating MTM pharmacies and wondered about the criteria for selecting MTM pharmacies. Ms. Chapin reported that not all pharmacies will be in the MTM network. In order to be a participating pharmacy, the pharmacy needs to have someone trained to provide MTM services. In addition, pharmacies need to be configured in such a way that they have a separate room to provide this service. With time, noted Ms. Chapin, Employee Benefits expects the MTM network to grow.

III). Mr. Watt introduced the major agenda item for today's meeting, UPlan response to budget reductions. Dann Chapman stated that the purpose for today's meeting is to consult with the BAC on proposed changes to the UPlan.

As background, Mr. Chapman noted that President Bruininks requested Employee Benefits look at potential cost saving changes to the UPlan given the state of the

University's budget. A long laundry list of potential changes were developed based on guiding principles. To put the proposed cost saving ideas that were generated into context, Mr. Chapman distributed copies of the guiding principles. Mr. Chapman reviewed the principles with the committee:

- Respect existing Regential Human Resource policies and principles.
- Protect lower income employees.
- Take into account that some differential in pay has been addressed via the buy-up plan approach.
- Add positive incentives, or remove perverse incentives to positively influence behavior.
- Not create or add barriers to adherence, especially for lower paid employees that would have negative long-term effects.
- Motivate employees to be invested in the benefit, and, therefore, use it more wisely.
- Put the University in a competitive/good market position.

A member asked whether Employee Benefits has access to information that would reflect how much money UPlan members are spending unnecessarily on health care services. Mr. Chapman stated that this information would be very difficult for Employee Benefits to collect. Employee Benefits receives data in the form of paid claims, and not diagnostic codes.

Is it possible to rate UPlan members similar to how insurance companies rate people who apply for life insurance asked a member? No, stated Mr. Chapman, the University is not allowed to discriminate based on a person's health status. Individuals who purchase insurance on the open market go through underwriting. Having said this, the University is reaching out through its Wellness Program to identify conditions or lifestyle situations and offering help to UPlan members.

A member asked whether the University has had any discussions about moving away from sick time benefits and moving to personal time off (PTO) as a cost saving measure. No, stated Mr. Chapman, this type of discussion, if it were to occur, would happen during labor relation discussions.

The guiding principles do not call out one of the three major players that drive health care costs, the plan administrators, noted Mr. Watt. He suggested that during this year's plan reviews that plan administrators be asked what they are doing to help curb health care costs.

A member stated that in order to reduce its budget, the University has several options, e.g., cutting departmental budgets, instructional costs, salaries, benefits, etc. Who makes the decision about what is the appropriate balance of cuts? In terms of cutting benefits, will departments see any cost savings in fringe? Mr. Chapman stated that a variety of employee groups are being consulted on how to reduce the University's budget. Mr. Watt added that the list of cost saving ideas shared by President Bruininks with the Board of Regents is on the Board's website. Ted Butler noted that benefit costs directly impact

future fringe rates. The fringe rate being paid now reflects the cost of the medical plan two years ago. Whether the fringe rate will actually go down if benefits are cut is impossible to predict now because it depends on a multitude of factors, e.g., salaries, total actual health care costs. Bear in mind, noted Mr. Butler, while the committee may recommend cost savings for the UPlan, medical trend has not been reversed.

Would it be possible to analyze the University's data set to determine the extent to which emergency rooms are being used in place of urgent care centers asked a member? Also, would it be possible to request that emergency rooms direct people to urgent care centers? This type of information would be difficult for the University to get at from its data set. In addition, the University does not have a lot of control over what provider groups are willing to do when it comes to recommending where people go for service.

How much money has President Bruininks requested the UPlan be cut by asked a member? Mr. Chapman reported that President Bruininks has asked that the UPlan budget be reduced by $4 million/year. In Mr. Chapman's opinion, this is a fairly modest request given the UPlan costs the University around $200 million/year. As compared to departments and colleges that are being asked to cut their budgets by 5% - 8%, President Bruininks' request to cut the UPlan by $4 million (less than 2%) is quite reasonable. President Bruininks recognizes the compounding effects of multiple changes, e.g., proposed wage freeze, and he acknowledges efforts that have been taken to impact medical trend such as the Wellness Program.

Before distributing the *Potential Cost Savings in Benefits* handout, Mr. Chapman emphasized that this is a list of proposed ideas, which are not cut in stone. A reason for bringing these ideas forward and consulting with the committee, is to use the committee to help administration think of smarter/better ways to achieve $4 million in savings.

If the committee were able to identify $4 million in UPlan savings, when would these changes go into effect asked a member? Mr. Chapman stated that most of the changes would happen in 2010 because many of the proposed changes are tied to the plan year. He added that the current list of proposals are being brought forward given the University's current understanding of its budget. To be certain, there is always the threat of a worse economic forecast from the State of Minnesota, and to the extent that flows to the University, there may be the need to look at additional cost saving proposals.

The focus of today's meeting is to clarify the cost saving proposals that have been identified, noted Mr. Chapman. He added that he will explain each of the proposals on the list, and any remaining time will be used to discuss the proposals. In addition, he noted that the entire March 5 meeting would be devoted to continuing this discussion.

Proposal #1 – Move specialty drug coverage from the medical plan to the pharmacy plan (estimated cost saving $1.4). This proposal simply means that specialty drug claims would be adjudicated by the pharmacy plan rather than the medical plan. Specialty drugs, noted Mr. Chapman, are biological drugs; they are grown rather than made chemically, e.g., certain hemophilia treatments. This proposal does not change what

drugs can be given, but it changes how the claims are adjudicated. Under this proposal, specialty drug claims would be adjudicated by RxAmerica as opposed to Medica and HealthPartners, which would make these claims more transparent and enable the UPlan to exercise more control in terms of the kinds of margins that are added on to these claims. The UPlan currently pays approximately $4.5 million/year to administer specialty drugs through the health plans.

A member asked whether the provider can continue to bill for the injection charge. Yes, absolutely, stated Mr. Chapman. Providers will still be paid for administering these drugs, plus an amount for the specialty drug, but not an excessive profit margin.

Will physicians be required to purchase specialty drugs through RxAmerica asked a member? No, not necessarily, stated Mr. Chapman. The claim will simply be adjudicated through RxAmerica rather than Medica or HealthPartners.

How does the cost that physicians charge for a specialty drug get determined asked a member? Mr. Chapman stated that are negotiated in the same way medical plan and other pharmacy charges are determined. He added that Dr. Stephen Schondelmeyer would be better suited to answer this question in more detail. Mr. Chapman stated that he would invite Dr. Schondelmeyer to the March 5 meeting.

A member asked whether administering specialty drugs is any more complicated than giving an immunization. Mr. Chapman also deferred this question to Dr. Schondelmeyer.

In terms of saving the UPlan money, noted a member, rather than targeting heavy users of health care system with having to pay more, consideration should be given to increasing premiums for all UPlan members. Everyone should share in these costs. Mr. Chapman stated that while he appreciates this suggestion, he would request that he be allowed to proceed and clarify each of proposals before having this kind of discussion.

Proposal #2 – Increase pharmacy co-pays for 2 of the 3 formulary tiers. This proposal would keep the Generic Plus co-pay at the current rate of $8, but increase brand co-pays from $20 to $25, and non-formulary co-pays from $35 to $50. The average cost, currently, for a Generic Plus drug is $29.46 per fill whereas the average cost for a brand drug is $168.09/fill and a non-formulary drug is $188.69/fill. There were over 20,000 people who purchased scripts at the brand and non-formulary level in the last 12 months. Assuming these people continue to purchase these same drugs, the average annual increase per user, per year would be $41. 50 in additional out-of-pocket expenses. Users can reduce this cost by transitioning to a Generic Plus drug. He also reminded the committee that if a brand or non-formulary drug must be taken out of medical necessity because a Generic Plus drug will not work, the co-pay can be reduced to $8.

Rather than putting the burden on the patient to get a generic script, the University should target their educational efforts on physicians and their prescribing habits commented a member. Mr. Chapman stated that he would like to know any and all ideas for changing/controlling physician’s prescribing habits. Having said that, he noted that there

is a broad movement across the health care system in the U.S. to push for use of generic drugs instead of brand drugs.

A member asked how much of a savings would be realized by increasing the Generic Plus co-pay from $8 to $10. Mr. Butler estimated the cost savings would be roughly $400.000.

At what point under Proposal #2 will it cost the University more money to change the co-pay structure because UPlan members are reaching their pharmacy out-of-pocket maximums asked a member? Mr. Chapman stated that there is only a very limited subset of UPlan members that ever reach their annual out-of-pocket pharmacy maximums.

Proposal #3, stated Mr. Chapman, would increase the 'penalty' when a patient chooses a brand drug over an available identical generic drug without medical justification. While state law stipulates that pharmacists are to fill prescriptions with chemically equivalent generic drugs when they are available, plan participants can still request brand drugs. Presently, the University has a built-in penalty for choosing a brand drug over its generic equivalent. Under the current policy, a person electing a brand drug over a generic equivalent pays the $8 Generic Plus co-pay plus the difference in cost between the brand drug and the generic drug. The new proposal would impose a 100% coinsurance penalty, which means that a UPlan member would pay the total cost for choosing a brand drug over a generic drug. Therefore, the average cost increase for filling a prescription with a brand drug over a generic drug would be, on average, $140. The estimated cost savings for this proposal is approximately $160,000/year.

Would this proposal be applied any differently if the physician wrote 'dispense as written' (DAW) on the prescription versus the UPlan member requesting that a prescription be filled with a brand drug asked a member? Mr. Chapman stated that the result would be the same. The UPlan does not accept DAW as medical justification that a particular medication is required.

A member questioned the savings of this proposal because if everyone on the plan used generic drugs there would be no savings because they would only be paying the difference. Mr. Chapman stated that while under the current policy members are paying the cost difference between the brand and generic drug, it does not add up to offset the cost differential. He agreed that it is confusing, and offered to bring back further documentation on this proposal to the next meeting. According to Mr. Chapman, the reason the current policy is not working effectively has to do with how generic drugs get priced.

Proposal #4 recommends increasing the emergency room co-pay from $50 to $75. The UPlan is very out of line in terms of emergency room cost share with the rest of the market. The average cost to the UPlan for visiting the emergency room is $630 per visit. This additional proposed cost share, stated Mr. Chapman, seems reasonable.

The question of whether urgent care centers are open all night was asked. Mr. Chapman stated that they are not open all night. A question about what options are available to people who have chest pains in the middle of the night was posed to Mr. Chapman. He replied that when a UPlan member has a choice, this proposal would incent that person to find a more cost effective place to receive care. He added that he realizes that people do not always have a choice about visiting an emergency room and the chest pain scenario is an example of this. Mr. Chapman reminded the committee that if a person is admitted into the hospital their co-pay is waived.

A member requested that Employee Benefits provide the committee with a list of urgent care centers, their plan affiliation, and hours of operation for the next meeting. Mr. Chapman stated that he will look into this, but noted that urgent care availability is very uneven across the state, particularly outside metropolitan areas.

Moving on, Mr. Chapman introduced Proposal #5, which would require a co-pay for each month of birth control medication at retail. Currently, UPlan members receive a 3-month supply for 1 co-pay at retail. This proposal would impact 1,750 UPlan members.

A member rhetorically asked Mr. Chapman about the average cost of having a baby. Another member agreed and stated that this proposal would not be a good public health measure; in fact, it is a perverse incentive with long-term negative consequences that is gender-biased.

Proposal #6 incents the use of generic lipid lowering agents instead of using low dose Lipitor® (20 mg or less). According to Mr. Chapman, research indicates that while there is medical justification for using high dose Lipitor® for the secondary affects it has for patients, there is not the same medical justification when it comes to taking low dose Lipitor®.

Under Proposal #7, stated Mr. Chapman, the UPlan would offer one cost-effective brand diabetic testing supplies at the Generic Plus co-pay rate, and all other brands would be moved to the non-formulary benefit. In terms of diabetic supplies, while the cost of the meter is irrelevant, the real cost is in the test strips. The University has determined that it would save about half on diabetic testing supplies by using True Track. If this proposal is adopted, True Track would provide the meters to users at no charge. The quality of the meters and the test strips are comparable to other brands on the market.

A member requested to hear a physician's opinion about this proposal. Mr. Chapman stated that Dr. Schondelmeyer will be able to attend an upcoming BAC meeting and speak to this proposal.

Proposal #8 would add a $25 co-pay for high-tech imaging (MRIs and CT scans). On average, MRIs cost the UPlan about $1,200 each and CT scans about $500 - $700. In response to a comment about this proposal, Mr. Chapman stated that clinic systems with high-tech imaging resources have a lot of incentive to keep their equipment in use. Literature demonstrates that if a clinic system owns a CT scan machine, its patients are

much more likely to get a CT scan than an x-ray. This proposal is estimated to save the UPlan $250,000.

Mr. Chapman acknowledged that not all the proposals on this *Potential Cost Savings in Benefits* list meets all the guiding principles/criteria. Having said this, without looking beyond the guiding principles, it would have been impossible to identify ways to save the UPlan almost $4 million.

Mr. Chapman stated that Proposal #9 would increase out-of-network emergency coinsurance to 30% of first $2,000. There were 151 such visits in Medica in a recent 12 month period, noted Mr. Chapman, who added that he does not have this data for HealthPartners. This proposal is projected to save the UPlan $100,000.

A member stated that this proposal hurts people in emergency situations where they have no choice. Mr. Chapman acknowledged this comment.

Lastly, Proposal #10 would increase the annual medical maximum out-of-pocket from $2,500/$4,000 to $3,000/$5,000. In 2007, there were 85 individuals and 16 families that reached the annual medical maximum out-of-pocket threshold.

A member noted that given these 10 cost saving proposals do not total $4 million she assumes further cuts will be forthcoming. Mr. Chapman stated that this is not a fair assumption, and noted that President Bruininks has approved this list recognizing that it does not total the $4 million he was encouraging. To reach the $4 million goal would have required adopting proposals that are less justifiable in terms of the guiding principles. Mr. Chapman stated that if there is a request from the administration to find additional UPlan savings, it would only be because of further state funding cuts.

Is the University's Wellness Program worth the expense asked a member? Can any savings be found in the Wellness Program? Mr. Chapman stated that this is a fair question to raise, but reminded the committee about the ROI study that is underway on the University's Wellness Program.

A suggestion was made to have members email their medical-related questions regarding these proposals prior to the next BAC meeting so that they can be forwarded on to Dr. Schondelmeyer to help him prepare for the meeting.

A member asked whether the University is looking at cutting dental benefits. Mr. Chapman stated that dental benefits are already a less-rich benefit than the medical benefits, and, therefore, no cuts are being proposed.

It was mentioned earlier that President Bruininks has approved this list, does this mean that it is a fait accompli asked a member? No, stated Mr. Chapman, President Bruininks has simply approved this list of cost saving proposals as the list that should be brought forward for consultation.

Strong opposition to the proposal that would require a co-pay for each month of birth control medication at retail was voiced by a member who encouraged members to discuss this proposal with women at the University to get their feedback. This proposal is biased towards young women of childbearing age. Mr. Chapman acknowledged this opposition, but stated that the bias comment is not a persuasive one for him. He rhetorically asked whether a woman would choose to get pregnant rather than paying an additional $64/year. In response, it was noted that often women do not choose to become pregnant, and paying an additional $64/year could be a lot of money for low-income women.

A member stated that virtually all of these proposals impact users of the health care system. The purpose for self-insuring, like the University has elected to do, is to spread the cost of the plan across the entire UPlan population. Therefore, rather than targeting health care system users, consideration should be given to raising premiums across the board.

Kurt Errickson, on behalf of AFSCME clerical and health care workers, stated that the issue of birth control is very important to AFSCME constituents. In addition, he requested that at the next meeting Employee Benefits provide estimated premium increases for each of these proposals.

A member reiterated an earlier request, which asked the administration to explore cutting aspects of the Wellness Program.

Assuming Proposal #1 is adopted, moving specialty drug coverage from the medical plan to the pharmacy plan, would it be possible to implement this proposal prior to 2010 asked a member? Mr. Chapman stated that this is being considered.

A member noted that the suggestion to raise premiums across the board impacts UPlan members differentially. Lower paid employees would be impacted more than higher paid employees. In response, another member stated that adopting these cost saving proposals would also differentially impact lower paid employees, especially the unhealthy.

Mr. Chapman informed the committee that Employee Benefits continues to look at ways behind the scenes to save the UPlan money that would not involve changes to the benefit structure.

A member asked Mr. Chapman if Employee Benefits is being asked to do more with less money. Absolutely, stated Mr. Chapman, and cited an example of being unable to fill vacant positions.

IV). Mr. Watt reminded members to email any questions they would like Dr. Schondelmeyer to address at an upcoming meeting to him at gdw@umn.edu or Renee Dempsey, Senate staff, at demps005@umn.edu. Hearing no further business, Mr. Watt adjourned the meeting.

Renee Dempsey

University Senate