BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
SEPTEMBER 18, 2003

[In these minutes: Membership Change to BAC, St. Mary's Duluth Clinic Will be in Tier 2 for 2004, Changes to UPlan for 2004 Resulting from Bargaining, QuickMedx Presentation & Discussion, IRS Ruling on Over the Counter Medications, Introduction of Jennifer Durocher]

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

PRESENT: Fred Morrison (chair), Linda Aaker, Pam Wilson, Karen Wolterstorff, Jody Ebert, Ronald Enger, Don Cavalier, Joseph Jameson, George Green, Gailon Roen, Susan Brorson, Steve Chilton, Amos Deinard, Richard McGehee, Peh Ng, Theodor Litman, Dann Chapman

REGRETS: Gavin Watt, Carla Volkman-Lien, Carol Carrier, Keith Dunder

ABSENT: Wendy Williamson, Frank Cerra

GUESTS: Tom Charland and Jodie Heyerdahl of QuickMedx

OTHERS: Linda Blake, Karen Chapin, Kathy Pouliot, Pat Yozamp, Jennifer Durocher

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

II). ANNOUNCEMENTS:

a) Professor Morrison noted a membership change to the Benefits Advisory Committee. Brenda Peltzer, AFSCME's care professional representative – Local 3260, has returned to school thereby leaving a vacancy on the Committee. Professor Morrison requested Pat Yozamp speak with the appropriate people within AFSCME to appoint a replacement for Ms. Peltzer.

b) Dann Chapman reported that St. Mary's Duluth Clinic re-bid their original tier-pricing structure for 2004 with PatientChoice. As a result, in 2004 St. Mary's Duluth Clinic will be in tier 2 rather than in tier 3. To accomplish this, it will be necessary for St. Mary's Duluth Clinic to take substantial discounts to their billed services. Up to this point, St. Mary's Duluth Clinic has been the most expensive care system within the PatientChoice model.

A member asked why St. Mary's Duluth Clinic has been so expensive. Dann Chapman stated that is difficult to answer but noted St. Mary's Duluth Clinic has had low discount and high volume of utilization of its services. Karen Chapin noted that in previous conversations with St. Mary's Duluth Clinic, they attribute their higher costs to their clinic pricing. A Duluth member commented that St. Mary's Duluth Clinic's decision to re-bid their tier-pricing structure for 2004 may be in part a response to the fact that they are losing a lot of patients due to their pricing strategy and, as a result, have been forced to lay-off employees in order to reduce their administrative costs.

c) Dann Chapman announced a couple changes resulting from the bargaining process:
    - The PreferredOne National office visit co-pay will be reduced from $30 to $25 for 2004.
    - The PreferredOne National non-formulary prescription co-pay will be reduced from $30 to $25 for 2004.

III). Karen Chapin introduced Tom Charland and Jodie Heyerdahl of QuickMedx. Ms. Chapin noted that the University is considering making QuickMedx available within the UPlan.

Mr. Charland noted that QuickMedx's mission is to deliver quick access, affordability and convenience to its customers. QuickMedx business model features include:

- Treat a narrow range of common family illnesses e.g. strep throat, ear infections, female bladder infections, conjunctivitis, pink eye, sinus infections, etc.
- Engineer the facility/clinic to best serve these illnesses.
- Receive care from nurse practitioners or physician assistants under supervision.
- Proprietary software guides diagnosis and treatment intervention.
- Diagnostic record provided to primary care provider unless the patient opts not to have their information sent to their primary care provider.
- No patient balance billing.

QuickMedx limits who they treat. For example, QuickMedx does not treat:

- Children under 18 months old in order to avoid disrupting a primary care relationship.
- Broken bones.
- Lower respiratory infections.

- Wound care.

The role QuickMedx plays is an adjunct to the primary care system. Mr. Charland used Day Surgery Centers as an analogy to help members understand the QuickMedx model.

Mr. Charland noted that within a month QuickMedx's name will change to MinuteClinic. The name QuickMedx could not be trademarked.

The QuickMedx model is driven by consumers not wanting to go and sit in urgent care for oftentimes several hours. The model's original value proposition was convenience and it is still maintained today.

A member asked whether QuickMedx has negotiated with any of the health plans it is in-network with to cover Medicaid and MNCare patients. Dann Chapman noted that if the University implements the QuickMedx program it will cover all UPlan participants regardless of their plan affiliation.

A Duluth Committee member concerned about the "same as" language in the Duluth contract asked whether QuickMedx will be available in Duluth. Currently, QuickMedx is a start-up company that is available in a limited area and at this time has no clinics in Duluth. Mr. Chapman noted that Mr. Charland has expressed an interest in developing the Duluth market, which the University can strongly encourage, however, the University is not in a position to force QuickMedx to do business where they do not exist. Additionally, Mr. Chapman noted it does not make sense for the University not to take advantage of a service that appears to be able to offer savings to both the UPlan as well as UPlan participants. Mr. Charland commented that Blue Cross/Blue Shield has also expressed an interest in QuickMedx entering the Duluth market, but as a start-up company QuickMedx has to be very careful about taking risks and going into new markets.

A member asked that Mr. Charland explain QuickMedx's payment arrangements in light of the fact that it does not do patient balance billing. Mr. Charland explained, assuming QuickMedx is a service that will be offered through the UPlan, it would make arrangements to direct bill the University for these services. Ideally, the goal for QuickMedx is to be in-network with each of the health plans, however, if this is not possible a 'work around' can be arranged with the University to make delivery of its services transparent to UPlan participants.

Professor Morrison asked Mr. Charland why QuickMedx prefers to be in-network versus out-of-network with all health plans. Mr. Charland explained that if QuickMedx were in-network with all health the University's plans, all the University

would have to do is send out communication promoting the service. Ms. Chapin added for a health plan to be in-network with QuickMedx facilities the University's ability to collect data and incorporate it in the University's database without an incremental cost. If the University needs to add other 'feeds' into its Ingenix database there is a significant cost involved.

A member asked whether there is an advantage to UPlan participants if their health plan is in-network with QuickMedx as far as how medical information is forwarded to each of the health plan providers' database systems. QuickMedx has very strict clinical guidelines and continuity of care is a huge issue for them. Therefore, QuickMedx would always make sure, for example, if a vaccine were given that that record is forwarded on to the patient's primary care clinic whether they are in-network with that particular plan or not. Ms. Chapin added if QuickMedx is in-network with a health plan an advantage to the consumer is that if deductibles or maximums apply, these charges will be recorded accordingly.

Studies indicate customers that visit QuickMedx typically would have gone to urgent care 43%-47% of the time, an emergency room 5% of the time and the balance of the time to their primary care clinic. Data from the recently released Minnesota Health Plan Study indicates it costs an average of $109 to go to a clinic for a sore throat, $190 to go to urgent care and over $300 to go to the emergency room.

Besides treatment of certain common family illnesses, QuickMedx does screenings such as full panel cholesterol tests, bone density tests, etc. as well as administer vaccinations e.g. tetanus, influenza, etc.

The QuickMedx staffing model is comprised of certified family nurse practitioners and physician assistants. There is always a physician on call when clinics are open. QuickMedx's Chief Medical Officer is Dr. Ed Ratner from UMP. Because of the contacts of QuickMedx's founder, Dr. Glen Nelson, QuickMedx has collaborated with very prominent physicians in the community to develop its protocols. Because its protocols are so refined and well-documented, QuickMedx is exploring doing research to improve and make more consistent the delivery of care in the treatment of common family illnesses.

A member asked what motivates an individual to seek out the services of QuickMedx. Mr. Charland noted that QuickMedx handles many more treatment cases than screening and vaccination cases. Therefore, when people are sick they seek out QuickMedx as a destination. When people visit a QuickMedx site for a screening or vaccination they tend to do so out of convenience.

Forty five percent of QuickMedx's patients are children. QuickMedx is also a destination for adults seeking treatment for illnesses they have caught from their children as well as for sinus infections, female bladder infections and some of the screenings offered by QuickMedx. A member asked whether QuickMedx is considering expanding its services. Mr. Charland said QuickMedx will always be looking at additional services it can offer. QuickMedx publicizes as much as it can afford regarding its services. Mr. Charland said that this is where the employer's role in communicating QuickMedx's services plays an important function.

A member asked whether the QuickMedx co-pay amount will be determined by which plan an employee is enrolled in. Dann Chapman noted that the co-pay amount will be a University decision and will need to be discussed.

In response to a question, Mr. Charland noted that QuickMedx is able to custom design wellness screenings.

QuickMedx does not do paper charting. All the information captured by QuickMedx is captured in proprietary software, which enables QuickMedx to easily run queries on an employer's population.

A member commented on the small number of locations QuickMedx has throughout the Twin Cities. Mr. Charland agreed that QuickMedx is weak on the east side of the city but that will be addressed in the near future. The demographic of an area drives the locations that are chosen by QuickMedx. QuickMedx is embarking on a new model to establish its location strategy. QuickMedx has reviewed the University's employee demographics and believes there are many University employees that will be able to take advantage of their services. Mr. Charland added that people do drive when they are sick.

Test and screening results are immediately provided to patients on-site and a paper copy is forwarded to the patient's primary care clinic. Because clinics use a variety of software packages to capture their medical records data, results are forwarded to primary care physicians via hard copy.

Mr. Charland noted there are many opportunities for the QuickMedx model to take advantage of. For example, once the employer model is fully operational and running smoothly, QuickMedx plans to address the medical assistance population. There are opportunities for QuickMedx in airports, rural areas, etc.

QuickMedx is a privately funded company. A member asked whether QuickMedx's Chief Medical Officer, Dr. Ed Ratner of UMP, holds any ownership equity in QuickMedx. If so, this could pose a conflict of interest. Ms. Chapin noted that in

order to move forward with this offering, the University would need to follow the appropriate purchasing procedures and through this process, if a conflict of interest were identified, it would be addressed. Professor Morrison believes that as long as Dr. Ratner is not a member of the BAC it is unlikely there exists a conflict of interest.

How was Cub Foods selected as a retail location for QuickMedx? QuickMedx approached Cub Foods and they expressed an interest in having QuickMedx on site. Cub, through survey and focus group input, received overwhelmingly positive response to this idea and, as a result, moved forward with its implementation.

Are all QuickMedx locations limited to Cub Foods stores? No, for example, QuickMedx also has a location in the Medical Arts Building downtown Minneapolis.

QuickMedx has provided the University with a model so the University can input its experience data to determine the feasibility of offering QuickMedx to its employee population.

In terms of time savings, QuickMedx estimates that its patients realize approximately 3 hours in productivity savings than if a patient would go to an urgent care facility. Not only does the actual QuickMedx visit take less time, QuickMedx has extended hours thus allowing employees to stay at work longer.

Basic criteria used by QuickMedx in establishing its retail locations:

- A base employee population of 15,000 – 25,000.
- The ability for QuickMedx to work directly with a health plan as an in-network provider or an employer that would agree to do a 'direct bill'.
- Availability of a logical, convenient retailer with a pharmacy under the same roof.

A member believes if the University moves forward with this idea it is a wonderful opportunity to conduct a research study on the economics of instituting such a program.

Upon completion of their presentation, QuickMedx representatives, Mr. Charland and Ms. Heyerdahl left the meeting room and the Committee engaged in a discussion of whether this idea should be pursued by the University.

Mr. Dann Chapman began by noting if the University offers QuickMedx services it will only be able to do so to a limited portion of the University population. QuickMedx is currently not a statewide service and it also has some limitations

within the Twin Cities itself. With this in mind, Mr. Chapman asked members should the University offer QuickMedx given these limitations.

The administration views the UPlan as a partnership between the University and its employees. Therefore, when a savings can be realized by the UPlan, it should be shared with the University's employees. After careful analysis by the Benefits Department factoring in various assumptions, the UPlan could potentially realize a $500,000 savings by offering QuickMedx services. Please note, this calculation takes into account that savings will be shared with the employees by reduced co-pays for QuickMedx services. Hence, by visiting a QuickMedx clinic, savings are realized by both the employer and employee and it provides an incentive for people to visit these facilities. These savings are significant and should help slow the rate of health care inflation the University is experiencing.

A member challenged some of the assumptions the University made during its analysis of estimated savings to the UPlan should it offer QuickMedx. A concern was raised that the QuickMedx model will take business away from a clinic system who then will be forced to increase their pricing structure. In Mr. Chapman's opinion, this would be extremely unlikely in the near future and believes the University should take advantage of the immediate potential savings the QuickMedx model offers.

Looking back on how the Committee came up with its original co-pay recommendation to the administration, a member questioned the rationale for recommending a very low co-pay for QuickMedx services because it seemed contradictory to the Committee's original co-pay philosophy. Mr. Chapman explained that co-pays are intended to be a cost sharing mechanism as well as a vehicle to make individuals think about whether they need to visit a doctor or not. The purpose of a co-pay has never been to prevent an individual from seeking treatment when they need it. With this in mind, the QuickMedx co-pay amount is being determined assuming there will be a 15% 'take-up rate'. A 15% 'take-up rate' assumes that 15% of services will be received at QuickMedx clinics as opposed to other settings.

A member expressed the concern that QuickMedx is too small currently to handle the University population, and, with HealthPartners as its largest competitor, QuickMedx will not receive the amount of business it is projecting from the University. Mr. Chapman stated that part of the QuickMedx business model and cost equation is that they will be responsible for providing the University with marketing materials for educational purposes to UPlan participants. QuickMedx's statistics prove they have a very high percentage of return business. Therefore, the goal will be to get UPlan participants to try them once.

Based on the University employee zip code analysis conducted by QuickMedx, the University has approximately 13,000 UPlan participants that live within less than a 20-minute drive to a QuickMedx location. Members were asked to remember that a significant number of University employees live in the suburbs.

In Dann Chapman's opinion, there is virtually no risk for the University to partner with QuickMedx and in reality there is a lot of upside potential to develop this business relationship.

Professor Morrison asked members whether the Employee Benefits should be encouraged to pursue developing a business relationship with QuickMedx. A Duluth member noted that while he supports saving the UPlan money, there is a contractual issue between the University and the Duluth union surrounding this matter. For the record, if the University offers QuickMedx this is not "same as" treatment for employees on the Duluth campus as well as the other coordinate campuses. The direct savings that UPlan members on the Twin Cities campus will be able to realize by using QuickMedx services as well as the immeasurable convenience factor offered by the QuickMedx model will not be afforded to the Duluth or other coordinate campus employees.

Karen Chapin noted that if QuickMedx is not an in-network provider with one of the plan administrators it would be impossible for the University to have QuickMedx co-pays accumulate toward out-of-pocket maximums.

A motion was passed, with one abstention, encouraging the University to investigate entering into a contract with QuickMedx. The motion contained the caveat that the vendor, QuickMedx make a good faith effort to develop their out-state markets, specially those markets where University coordinate campuses are located.

IV). Other Business: A member read about a health care reimbursement account card that automatically deducts funds from an individuals account and wanted to know if this cost saving device will be available to University employees with a health care reimbursement account. Mr. Chapman never heard of this card described as a cost saving mechanism but instead it is more of a convenience feature. Kathy Pouliot of Employee Benefits noted that there are taxation issues surrounding the use of these types of debit cards and there is some indication that the IRS may require employers who offer these cards to issue 1099 forms. Employee Benefits will monitor developments with respect to these debit cards.

Mr. Chapman reported on a recent IRS ruling that states that over-the-counter medications used to treat a condition can be reimbursed from an employee's flexible spending account. Because this is an interpretation of an existing regulation, the IRS ruling is effective immediately and even potentially retroactively. Currently, the University as well other employers are trying to understand how this new benefit can be practically administered. To administer this new benefit properly may require the University to modify its plan document. Some questions that need to be answered include:

- What kind of documentation will be needed to substantiate claims? It is likely that pharmacies/retailers with inadequate receipt documentation will have to adapt to this new ruling in some fashion.
- How does the Employee Benefits' staff determine which medications are used for the treat of a condition as opposed to those that are not? The IRS, as an example, clarified that vitamins that are taken routinely are not eligible for reimbursement because they are not considered a treatment per se. However, if vitamin supplements are being taken to treat a condition, and an employee has a letter from a physician to corroborate this, potentially these vitamins may be reimbursable.

There are many unanswered questions that need to be answered before this new benefit can be properly administered. Employee Benefits will not administer this benefit until it understands how to do so properly and it has a plan in place to effectively manage the process for delivering this benefit. Mr. Chapman is hopeful that Employee Benefits will be able to administer this benefit before the end of the plan year so that people that might otherwise forfeit funds in their flexible spending account can take advantage of this benefit. Ms. Pouliot added that Employee Benefits is in the process of establishing a communication plan to inform employees about this new benefit. It was further noted this new benefit does not give employees the right to make a status change election and, therefore, only impacts people that have money in their flexible spending account.

Next, Karin Chapin introduced Jennifer Durocher, Employee Benefits' new Assistant Health Program Manager. Ms. Durocher replaces Tonya Soli who left the University awhile ago.

Lastly, Professor Morrison asked about the voting timeline for bargaining unit employees. Jody Ebert, a member of AFSCME, and Ron Enger, a Teamster representative, noted that balloting will take place on October 2, 2003. As a result, Professor Morrison proposed canceling the October 2nd BAC meeting with the caveat that this decision is subject to reconsideration.

V). Hearing no further business, Professor Morrison adjourned the meeting.

Renee Dempsey
University Senate