BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
MARCH 22, 2007

[In these minutes: TIAA-CREF Update, Bridges to Excellence, Dental, Life, Retiree Insurance Update, Long Term Care Update, Generic Plus Reduction Discussion, Recommendation to Raise the Dental Cap to $1,500, Recommendation to Change the UPlan Waiting Period, AFSCME Proposal - *Hold the Line on Health Benefits Cost Increase to Employees]*

[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), Linda Aaker, Tina Falkner, William Roberts, Jody Ebert, Rhonda Jennen, Jerremy Mlenar, Don Cavalier, Joseph Jameson, Michael Marotteck, Carol Carrier, Carla Volkman-Lien, George Green, Richard McGehee, Peh Ng, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Karen Wolterstorff, Jennifer Imsande, Amos Deinard, Fred Morrison

ABSENT: Sandi Sherman, Carl Anderson, Frank Cerra, Keith Dunder

OTHERS ATTENDING: Bob Altman, Linda Blake, Karen Chapin, Joyce Carlson, Nancy Fulton, Jim Jorstad, Shirley Kuehn, Gladys McKenzie, Kathy Pouliot, Kelly Schrotberger, Carol Siegel, Curt Swenson

GUESTS: Vice President and CFO Richard Pfutzenreuter and Jackie Singer, director, Retirement Programs

I). Gavin Watt called the meeting to order.

II). Gavin Watt introduced the first agenda item, a decision by the University to stop future contributions and transfers to TIAA-CREF effective July 1, 2007. Being a member of the SCFA Retirement Subcommittee, Mr. Watt briefly provided the committee with background information on how this decision came about. The SCFA Retirement SubcommitteeÕs minutes provide more detailed information and can be found at http://www1.umn.edu/usenate/committees/retirement.html

Mr. Watt called on Jackie Singer to provide the committee with additional information. Ms. Singer outlined the timetable for this decision:

- The SCFA Retirement Subcommittee began dealing with this issue in December 2004.
- After much discussion within the Retirement Subcommittee, TIAA-CREFÕs performance concerns were brought to the Retirement Plan Fiduciary Committee

in the summer of 2006. The Retirement Plan Fiduciary Committee voted unanimously to recommend to the administration that future contributions and transfers to TIAA-CREF be stopped.

- Senate committees were notified in the fall of 2006 that there were concerns regarding TIAA-CREFÕs performance.
- The recommendation to stop future contributions and transfers to TIAA-CREF was brought to President Bruininks in February 2007. President Bruininks agreed with this recommendation.
- TIAA-CREF was notified March 7th that the University would be stopping future contributions and transfers effective July 1, 2007. University faculty and staff were notified via email of this decision on March 8, 2007.

Ms. Singer went on to highlight of examples of TIAA-CREFÕs performance issues:

- Over the past 16 months, TIAA-CREF sent out roughly 5,000 apology/explanation letters for TIAA-CREF errors effecting University accounts.
- Contributions were taking twice as long to post at TIAA-CREF than any of the UniversityÕs other vendors. In many instances, 20% of the UniversityÕs postings took 5 or more days to post.
- A number of accounts were sent up incorrectly.

To the best of Ms. SingerÕs knowledge, throughout all the problems, no TIAA-CREF contributor lost any money. With this said, however, TIAA-CREF issues caused the University a great deal of concern.

Questions/comments from members included:

- Has Employee Benefits received any complaints from retirees regarding minimum distributions by TIAA-CREF? Ms. Singer reported hearing a few complaints from retirees but nothing specifically regarding minimum distribution problems. Retiree concerns have been more along the lines of processing delays.
- How is this decision being communicated to affected faculty and staff? The day after TIAA-CREF was notified an email was sent out to all faculty and staff communicating the UniversityÕs decision. In addition, individual mailings to TIAA-CREF contributors will be sent out in the very near future. Ms. Singer added that there is also an extensive question and answer series on the Office of Human Resources website, which can be found at http://www1.umn.edu/ohr/benefits/retiresave/tcqanda.html
- Given the seriousness of this issue, why did it take so long for a decision to be made? Vice President Pfutzenreuter, as trustee of the FRP, noted that this issue was brought to his attention late summer/early fall 2006. Not knowing how TIAA-CREF would react, the strategy for dealing with this issue was intentionally stealth. In hindsight, stated Vice President Pfutzenreuter, it probably would have been better to tell the University community what was going on rather than keeping what appeared to be a secret. The process for handling this decision could have been managed differently. Throughout the entire timeframe, however, faculty leadership knew what was going on. Vice President Pfutzenreuter added that for him making this difficult decision was cinched by the fact that TIAA-

CREF seemed oblivious to its mistakes and he was not confident that they were capable of catching their mistakes. Jackie Singer added that plan participants are asking her why this decision was not put out to a vote. She stated that in the FRP the fiduciary has a legal responsibility to plan participants, and, as a result, the decision had to be made at the fiduciary level. Consulting with plan participants, noted a member, does not imply asking them to vote.

- The short timeframe that participants are being given to redirect their investments is problematic for those that thoroughly research where they invest their retirement dollars. Three and a half months is simply not enough time.
- Now that TIAA-CREF is no longer an investment option for the University, there really only is one general account choice, the General Account at Securian. There really needs to be more options/choices for plan participants. Jackie Singer stated that an RFP would be issued for another General Account vendor. The goal is to identify a provider by the fall. Then, depending on who the vendor is and their programming capabilities will determine when their product can be added to the UniversityÕs line-up. It was impossible to issue an RFP before the contract with TIAA-CREF had been terminated because vendors needed to know what they were bidding on and how much money would be available for investment.

In closing, Vice President Pfutzenreuter announced that he would be meeting with Herb Allison. He extended an invitation to any BAC members interested in attending this meeting.

III). Ms. Chapin welcomed Carolyn Pare from the Buyers Health Care Action Group (BHCAG) who was invited to todayÕs meeting to talk about two things:

1. General strategies that Twin CitiesÕ organizations are using for purchasing health care benefits.
2. Minnesota Bridges to Excellence, a program that recognizes and rewards performance and best practices by providers.

A handout to supplement Ms. PareÕs presentation was distributed to members.

Ms. Pare highlighted the following:

- Last year, President Bush came to Minnesota and signed an executive order directing Health and Human Services (HHS) to start behaving smartly as a purchaser of health care. The order emphasized buying value and not just price and/or access. When the government buys strictly based on price and/or access, system quality is not enhanced, and a cost shift usually results.
- Since this order was signed, Secretary Leavitt put together a program called the ÒFour Cornerstones of Value Driven Health CareÓ (http://www.hhs.gov/valuedriven/) The four cornerstones of this program are:
  1. Support information technology.
  2. Provide quality information.
  3. Provide pricing information.
  4. Promote quality and efficiency of care.
- In Minnesota, organizations like the BHCAG, Institute for Clinical System Improvement (ICSI) and Minnesota Community Measurement (MNCM) are

working together to improve the quality of health care. These efforts are a Minnesota legacy and a lot of organizations around the country are watching what Minnesota is doing.

- Minnesota leads the way with:
    - Smart Buy Alliance – A group of health care purchasers demanding quality and efficiency in health care.
    - eValue8 – A tool for defining plan administrator performance expectations and for evaluating vendor performance.
    - BQI (Better Quality Information) project - A project designed to improve care for Medicare beneficiaries.
    - Aligning Forces for Quality – a Robert Wood Johnson Foundation national program designed to help communities across the country improve the quality of health care for patients with chronic diseases, e.g. diabetes, asthma.
    - Medicaid Transformation Grant – A grant intended to be used for the adoption of innovative strategies to help the patient get better integrated care.
    - QCare – A program launched by Governor Pawlenty, which sets optimal care standards for major disease states and rewards doctors who reach these quality targets,
    - Bridges to Excellence – A pay for performance program.
- The national Bridges to Excellence (BTE) program was created in 2001 by large employers to accelerate quality health care improvement in local markets by leveraging their collective purchasing strength. This is a pay for performance program that rewards providers who apply for certification in:
    - Diabetes care.
    - Cardio-vascular disease care (CVD).
    - Physician office link (POL) – coordinating care, results reporting, e-prescribing, performance reporting and use of information technology.

  The overall goal of BTE is to encourage medical groups to re-engineer physicianÕs office practices in order to increase quality and efficiency, and then to pay them for performance results. The National Council of Quality Accreditation (NCQA) accredits these physicians.
- The Minnesota BTE program was developed in late 2004 and 2005. First reward payments were issued in 2006 to nine medical groups for Optimal Diabetes Care. In 2007, rewards have been added for Optimal Vascular Disease and for clinic sites that meet performance targets. The Minnesota BTE program sets higher performance targets each year to motivate continued improvement in care, whereas the national program raises its standards every 3 years.
- Early adopters of Minnesota BTE are signaling the medical community that health care purchasers want to pay and reward providers for optimal care and health outcomes, and not quantity of services provided. In 2007, the University of Minnesota became one of the Minnesota BTE Champions of Change. Other Champions of Change include, but are not limited to 3M, General Electric, Medtronic, Wells Fargo, Target, and the State of Minnesota – Department of Human Services, to name a few.

- Representatives from key community stakeholders whose goal it is to ensure collaboration, consensus and program success, govern the Minnesota BTE program.

Ms. Pare thanked the committee for their time and asked whether there were any questions/comments regarding her presentation. Questions/comments included:

- Did the BAC discuss joining the Minnesota BTE program? If not, shouldnÕt the BAC have been consulted with in terms of becoming a member? Gavin Watt noted that the Administrative Working Group (AWG) made the decision to join the Minnesota BTE. Dann Chapman added that when the question of whether or not the University should join the BTE program arose, there literally was not time to consult if the University wanted to sign up in 2007. The purpose of todayÕs presentation is to solicit ideas from members on how this program can be promoted at the University.
- What is the cost and benefit to University employees for joining this program? Karen Chapin stated that the AWG closely examined the programÕs costs and benefits before joining. Estimated total cost for joining the program including administrative fees and rewards was approximately $188,000 and cost savings are estimated to be roughly $647,000, assuming members went to providers that are providing Optimal Diabetes Care and Optimal Cardio-Vascular Care. Net savings to the UPlan is estimated to be $450,000.
- How can UPlan members access comparative quality information in terms of Optimal Diabetes Care and Optimal Cardio-Vascular Care, etc.? Mr. Chapman noted that there is a link on the Office of Human Resources website for Minnesota Community Measures (http://www.mnhealthcare.org/~main.cfm), which contains the comparative quality information.

IV). Gavin Watt reported that RFP finalists for dental, life and retiree insurance have been identified. Interviews with these vendors will take place next week. Names of the finalists cannot be released at this time.

V). Karen Chapin reported that Long Term Care (LTC) open enrollment has been extended until April 20th. The University was able to arrange with John Hancock that the effective coverage date for CNA participants, regardless of when they sign up during the open enrollment period, will be based on a March 31 birth date. For those not with CNA, their rates will be based on their birth date when they sign up. Therefore, it would behoove individuals with an April birthday to sign up in March.

Another series of informational meetings has been scheduled as well as additional webinar presentations. Ms. Chapin reminded members that the webinars are fully interactive and people can ask real-time questions.

Regarding the transfer of data problems between CNA and John Hancock that was brought up at the last meeting, these are being corrected and people will be receiving new packets of information.

To date, 221 new people have enrolled in the John Hancock program and 183 people transferred from CNA to John Hancock. In Ms. ChapinÕs opinion, it is likely that some groups of people with CNA coverage will remain with CNA, including members who have the Automatic Benefit Increase (ABI) feature, and some retirees because John Hancock rates tend to be higher for them.

A member asked what happens to the reserve dollars at CNA. Prior to putting the LTC contract out for bid, the University had negotiated with CNA that in the event the University ever contracted with a new vendor, CNA reserves would be transferred to a new carrier. Once the reserves are transferred from CNA to John Hancock, John Hancock will apply the reserves to a new premium resulting in a discounted premium for former CNA participants. Karen Chapin thought it would be a good idea if the University contracted with an outside actuarial to review the reasonableness of reserve transfer amounts.

VI). Dann Chapman noted that he and others on the AWG seriously miscalculated the negative reaction BAC members would have to reducing the Generic Plus co-pay from $10 to $8.

The administration does not bring every decision regarding the UPlan or benefits management to the BAC, nor is it likely the BAC would want the administration to do so, noted Mr. Chapman. With this said, the administration walks a fine line in terms of what items should be brought to the BAC for consultation, what items should be brought for information, and what decisions the administration should simply make on its own. Examples of administrative decisions that were made and later brought to the BAC for information include:

- Joining the Bridges To Excellence program.
- Offering retirement incentive options.
- Extending the Flexible Spending Account (FSA) claim period.

Mr. Chapman apologized to BAC members on behalf of himself and the AWG for failing to consult with the BAC on the Generic Plus co-pay reduction matter. There was no intent by this action to not bargain this benefit in good faith or to circumvent the consultative function of the BAC, which the administration values greatly. Mr. Chapman assured BAC members that the administration will, from here on out, err on the side of caution and consult with the committee more rather than less.

Comments/questions from members included:

- More than misjudging the serious negative reaction of the Generic Plus co-pay reduction, the fact that the administration misjudged the importance of bringing an issue like this to the committee for consultation is more disturbing. Mr. Chapman agreed with this statement.
- The committeeÕs negative reaction was not to the Generic Plus co-pay reduction, but to the process that omitted any serious obligation to bargain this benefit in good faith. If the name of this committee (Benefits Advisory Committee) is meaningful at all and has any substance, members would have been invited to

share their opinions on what to do with the extra money. The UniversityÕs failure to seriously bargain this benefit is outrageous and has damaged relationships with employee groups in a way that is irreparable. Mr. Chapman stated he appreciated this comment, but added that sending out the mailer announcing the reduction in the Generic Plus co-pay without having reached an agreement with represented bargaining units was not without precedent. For example, when the dental open enrollment period was extended a few years back, materials were sent out to all employees with the disclaimer that this change would be subject to bargaining. Mr. Chapman agreed that the wording on the Generic Plus co-pay mailer, *Subject to discussion with Represented Bargaining Units,* was not an appropriate choice of words.

- A major distinction between the examples cited above and the decision to reduce the Generic Plus co-pay is that this extra money could have been reallocated in a different manner. In this instance, the BAC may have recommended another use for this money. Mr. Chapman acknowledged this point.

VII). Gavin Watt noted that last fall Professor Morrison brought forward a proposal to raise the cap on the UniversityÕs dental plans that do not currently have a $1,500 cap, Delta Preferred Option, Delta Preferred Option/Delta Premier and HealthPartners Dental Choice. Three dental benefit handouts were distributed to members to supplement this discussion.

Gavin Watt stated that the rationale behind raising the dental cap benefit is because the dental benefit cap has remained fixed over the last several years. He asked that as members discuss increasing the dental cap to $1500 that they consider the following:

- What is the benefit to University employees?
- What is the cost to University employees?
- Is raising the cap on the dental benefit bargainable?

Turning membersÕ attention to one of the handouts, Mr. Watt calculated that in 2006 roughly 6% of UPlan dental insurance members reached the dental cap.

Karen Chapin noted that raising the cap on the dental benefit is bargainable. She went on to note that the cost to the UPlan to raise the dental cap is $468,000. Because the change is being made to the base plan, employees will also have a cost increase of $99,000.

Mr. Chapman noted that the University has one of the richest dental plans compared to many other employers in the area. The primary reason why the dental plan has not changed much over the years is because employees have requested any extra money be put towards salaries or addressing the costs of medical care.

MembersÕ comments:

- Raising the cap will have different financial effects on different employees. Employees with University Choice and HealthPartners Dental, which already have a $1,500 cap, will likely have no change, but those with one of the plans that currently have a $1,250 cap will need to pay more.

- Proposed changes to bargainable benefits require ballots be sent out to represented employees, and this costs represented employees money. It would be preferential that these items be brought to the bargaining table versus having them occur throughout the year. Mr. Chapman stated that this is an issue that will be brought to the bargaining table assuming there is a recommendation to move forward with raising the cap. This is a benefit that impacts the 2008 plan year, and this falls in sync with the bargaining cycle.
- Raising the cap could influence whether some people opt in and out of coverage annually. Mr. Chapman stated that this is a possibility, but finds it hard to believe it would play a significant role. Actuarial evidence indicates that the additional risk of people opting in and out of coverage on an annual basis is virtually immeasurable. The trade off in terms of the additional risk to the plan and cost to participants versus the downside of locking members into a plan for two years where members rates can go up in the second year, and they cannot do anything about it did not seem justified.

Mr. Watt called for a vote on whether the dental cap be raised to $1,500. A majority of members voted in favor of this motion, however, dissenting opinions were noted.

VIII). Next, the committee discussed whether or not the waiting period for UPlan medical coverage for new employees should be changed. A handout outlining the implications of doing this was distributed to members for their review.

It was noted that this change to the benefit plan is also bargainable. With this said, and after a brief discussion, the committee unanimously voted to change the waiting period for UPlan medical coverage to the first of the month following date of hire. Dann Chapman stated that assuming the AWG agrees with this recommendation it would be brought to the bargaining table this spring.

IX). Sandi Sherman distributed a handout, *Hold the Line on Health Benefits Cost Increase to Employees.* Gavin Watt noted that Ms. Sherman is bringing this proposal forward for the committeeÕs consideration. In light of time, this item will be held over until the April 5th meeting.

Ms. Sherman briefly noted that this proposal is being brought forward by AFSCME representatives/unions. It is AFSCMEÕs position that there can be no additional cost transfers in the form of co-pays, premiums and prescription costs to employees. AFSCME hopes to convince the BAC at the next meeting to take this position as well.

X). Hearing no further business, Gavin Watt adjourned the meeting.

Renee Dempsey
University Senate