Minutes[•]

Senate Committee on Finance and Planning
March 5, 1991

Present: Burton Shapiro (chair), Avner Ben-Ner, David Berg, Bill Chambers, Edward Foster, Lael Gatewood, Michael Hoey, Craig Kissock, Nick LaFontaine, Fred Morrison, Jeff von Munkwitz-Smith, Mary Sue Simmons, Charles Speaks, John Sullivan

Guests: Robert Dickler, Roger Forrester, Geoff Gorvin (Footnote), Warren Ibele, Geoffrey Maruyama

1. Discussion of the Health Plan

Professor Shapiro began the meeting by asking Professor Ben-Ner, chair of the Senate Committee on Faculty Affairs, to report on the response of SCFA to the proposed health plan. Professor Ben-Ner referred Committee members to the various documents which had been distributed which described the reaction of SCFA. He reported that it had had four meetings devoted solely to the health plan; at the most recent meeting the Committee approved five motions. SCFA had endorsed the skeleton proposal, with qualifications: encourage all sizes of plans so the decision can be based on bids, not actuarial calculations; establish a faculty-staff governance body to oversee the plan, try to delay separation from the State plan until June 1; and develop a system to measure quality of care and convey the information to employees.

It is true, Professor Ben-Ner affirmed, that it is the State which set the deadline, but it is the view of SCFA that if the Regents were to request a delay, it might be possible to obtain it. Mr. Dickler reported that the original date had been June 1; it been changed by the State to accommodate their collective bargaining process. A request to change the date to June 1 has been made.

As far as measuring quality of care, there is a movement around the country, spearheaded by Interstudy in Excelsior, MN, to use outcomes measures. SCFA believes that such a study is feasible for the University and that more information is better. Mr. Dickler commented that there is in place today no tool which provides reliable measures, but that quality of care measurement is a rapidly evolving field of research. He speculated that there will be developed, over the next few years, an increasing number of tools which have validity and reliability. The rudimentary tools now available look at morbidity, mortality, length of stay, readmission rates, and in some cases quality of life measures. Some more sophisticated measures look at subgroups of complication rates and types of problems encountered during treatment. The most desirable tool is one which measures experience and outcome at the time of care but also what happens thereafter: were there relapses, were you actually better, and so on. There is an effort underway in Minnesota, at 40 hospitals, to look at orthopedic surgery--and it has taken 14 months to develop the criteria. There has not been much work done in ambulatory care or long-term care. It was pointed out that the faculty are probably looking for a continuing care organization, not just for acute care, and they will want to know about the quality of the plan--most of which is based outside the

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hospital. Mr. Dickler agreed; most measures are focusing on acute care because that is where most money is spent and where the greatest ability to control costs exists.

One Committee member inquired what discussions of the "Choice" option have taken place over the past two weeks and what changes, if any, have been proposed. Mr. Dickler said there have been four modifications to the Request for Proposals. The first is that all bidders are being asked to bid different sized networks and to indicate the trade-offs in premium dollars and/or benefits.

With a view towards having a unique network or with a view towards having a second option, Mr. Dickler was asked. An existing network modified for University purposes, he said.

The second change is to ask the bidders to quantify the economic impact, in terms of premium and/or benefits, of not having the primary care physician/gatekeeper function. If that concept were abandoned, what would be the implications?

The third change is to ask each bidder to quantify the impact of no copayment or a different level of copayment or an absolute limit on aggregate copayments.

The Task Force believes that these three changes will give the University the ability to fully examine the trade-offs in the programs. The size of network, the level of control within it, and the economic ramifications of copayments, will permit a full understanding of the dynamics of the three primary variables--premium, benefits, and flexibility.

The fourth change is that all bidders will be notified that the University, at its option, may choose to go out for a fifth option at the end of the process. Stimulated by this Committee and other discussions, the Task Force has examined fifth-option possibilities, a pure indemnity plan with about the same benefit package as the out-of-network provision in the "Choice" option. That plan would have a substantially higher premium, as a stand-alone program; weighed against what PHP might be, PHP makes more sense if the University were to consider a fifth option than would an open indemnity plan.

The difficulty the Task Force encountered is that there will be such a range of options in the "Choice" plan that it is unclear if a fifth option makes sense and what the parameters for the fifth option should be. It could be the reverse of what has been discussed; the "Choice" option may have the broad network and what will be wanted is a lower-cost program with a narrower network. Instead of foreclosing that option, and to be sure that bidders would know what is occurring, they are being notified of the possibility. The determination of whether or not to pursue the fifth option will be made once the proposals are received and have been analyzed.

One option that would make sense would be to provide people a choice between a narrow and a broad network. This would allow those who want broad coverage, with broad choice, and those who want to limit their choices in order to obtain a lower price. The problem with the proposal that was originally made is that it required a limit on choice or that one accept an exclusion of preventive care and quite high out-of-pocket costs. That is not really a "choice" option.

Mr. Dickler said that it was this logic which led to the Task Force decision to retain the option of another choice. What must be remembered, he said, is that one Task Force mandate was to provide the best benefit structure possible to people who wanted to go anywhere they chose to go. In order to do that, there must be a fairly large program that has economic balance and there must be some segment of the population that is not consuming health services at the traditional rate--and who pay less out-of-pocket costs--against those who might be larger consumers. That is the trade-off. If the mandate to provide a good out-of-network set of benefits is eliminated--which was one of the strongest mandates the Task Force heard from the University community--one could have a much different set of scenarios which might make more sense. The Task Force wants to try to find a way to make sure out-of-network benefits remain substantially better than are currently available. They are, in the program proposed, substantially better; what must be tested is if that will remain true if the size of the network is changed or if the gatekeeper is changed.

Does the Task Force have an idea of what the radius of the network will be, under either the HMO or Choice option, outside the University Hospital and Boynton Health Service, Mr. Dickler was asked. The HMO option is currently presumed to be Group Health, he said, so one would be the same as it now exists. It is also presumed that First Plan HMO would be offered in Duluth. For the "Choice" option it is assumed it would be a seven-county metropolitan network and a reasonably-sized network around each of the coordinate campuses.

With the "no-coverage" option, the employee may take part of the University contribution in cash, which then becomes taxable income. Is there a possibility that the IRS will try to use that as an inroad to declare all University contributions to health care as taxable? That specific question, as phrased, has not been investigated, Mr. Dickler said, but it has not occurred in other organizations which have provided the option. He agreed that it would be worth obtaining a legal opinion on the questions.

One Committee member observed that the gatekeeper concept had been discussed and that the Committee had been led to believe "this would be a well-oiled gate; sometimes you could get referral from the primary care physician to the specialist by telephone call." The Committee member cited one incident when the gate was rather squeaky and the referral was difficult. In terms of the process, it was also said, one important element would have made it smoother; the Task Force relied heavily on University opinion to develop its proposals and should have done so again once it had developed the components of its proposals. It appears to be assumed that since something different has been proposed, the faculty will now be satisfied. Mr. Dickler agreed and noted that the timetable had been the difficulty if the plan was to be implemented by January 1, 1992.

On the basis of the HMO option, it was pointed out to Mr. Dickler, "you're better off getting hooked on drugs than having mental problems. . . ; you're twice as sinful to get mentally ill as you are to get hooked on cocaine." Is there some reason for this, Mr. Dickler was asked. He said that this is a fairly common phenomenon in health insurance plans. Mental health has been focused on as one area with the "highest over-utilization" rates and has been targeted by virtually every health care program with attempts to control the level of care. It is singled out, he agreed, and is something the bidders look for. This does not seem to be a wise incentive structure, it was commented; "if one has mental problems, one should then as a collateral problem get hooked on drugs so you can get all the help you need for 73 days."

Mr. Dickler was asked if any further consideration had been given to the nature of the plan for retirees. He replied that the bid document will specify a plan that in essence is identical to the current plan for retirees. The Task Force is uncertain whether or not it will be able to develop a second option which might be lower cost. At a minimum, the current program would be duplicated.

What is the best projection of the proportion of total network providers who will not be affiliated with the University Hospitals or Boynton Health Service, Mr. Dickler was asked. He estimated--very roughly--that it would be in the range of 60 - 70%.

Is there any plan to solicit suggestions for doctors or clinics to be included in the network? Those suggestions are now being received, Mr. Dickler observed; through the hotline and written comments people are providing the names of specific practitioners who they would like to see included.

One Committee member said he approved of the third and fourth options (catastrophic coverage only or no coverage) but observed that they will be of benefit to a very small proportion of employees; how many, he asked Mr. Dickler. Approximately 5%, he said, primarily those where both spouses work and especially where both work for the University. So the actual number of choices available to the majority of the University community, it was rejoined, are two, not four.

What will be the impact of the civil service vote to unionize, Mr. Dickler was asked. He said that is uncertain; they are talking with the unions about how they want to approach fringe benefits. In terms of the actual bid process, the University will probably ask that it be bid both ways (both covering and not covering those in collective bargaining groups). Mr. Forrester pointed out that health coverage is a bargainable issue, including for the organized faculty. Not much more can be said at this point.

It is understood that University employees use the State plan more than average. When the University withdraws from the State plan, how much will it receive? Will the State plan suddenly become richer when the University withdraws? Mr. Dickler said that the University pays the same premium as other participants--which leads to the subsidization by other employees--and the University would presumably retain that premium payment for its own health plan. It is also possible, although no decision has been made, that the State plan may begin charging the University the real cost if it stays in the program (rather than the average cost).

Professor Shapiro thanked Mr. Dickler for his comments.

The Committee then deliberated over what resolutions, if any, it wished to adopt. **After discussion, the Committee voted unanimously to adopt the following four resolutions from the Senate Committee on Faculty Affairs:**

1. **The Request for Proposals should be worded so as to encourage all sizes of plans to bid and even elicit multiple proposals from a given plan to allow final policy decisions (e.g., employee costs versus breadth of the Choice Plan) to be based on the bids, not actuarial estimates or potential biases.**

2. **A specific faculty/staff governance structure should be designed to oversee follow-up deliberations on the University of Minnesota Health Plan and should be similar to that the of the current SCFA Subcommittee on the Faculty Retirement Plan but would include representatives from relevant bargaining units and civil service, as well as faculty. The new governance group would steer the plan through the variance**

between proposed versus achieved results and a philosophy will be developed to suit faculty and staff conceptions of cost versus choice.

3. **The administration should be asked to request a June 1, 1991, deadline for separation from the State.**

4. **The University should develop a system to measure and convey to employees information concerning quality of care.**

The Committee also unanimously adopted the following resolutions:

5. **The Senate Committee on Finance and Planning thanks the representatives of the Health Care Task Force for their presentation regarding the proposal for a new insurance benefits policy.**

6. **The Senate Committee on Finance and Planning welcomes and encourages the process of considering another option which offers a greater choice of health care providers, even if at a greater premium cost to employees.**

7. **The Senate Committee on Finance and Planning requests that it be kept fully informed of developments in this area.**

The difference between the Task Force "Choice" proposal and the suggestion in the sixth resolution is that the out-of-network coverage in the "Choice" plan provides no preventive and no routine care and it has a $3000 per family out-of-pocket cost cap. There are also implications for hospital insurance, as opposed to medical insurance, if an out-of-network provider is used. For most faculty and staff, this renders it feasible only to a limited extent. Many faculty and staff would prefer to pay their costs "up front" and to have them limited. It is not the intent to pick and choose between a broader HMO on the one hand and "turning the whole thing upside down and lowering the copayments and the out-of-pocket costs on the other" [hand]; the intent is to provide a much broader provider network, including direct access to specialists. The current design of the "Choice" plan seems to be one that will economically force virtually all the faculty and staff into a narrow network of providers, half of whom are in the University Hospitals--when the faculty and staff have been using providers all over the community. There is only a minimal "choice" offered in the "Choice" plan.

The gatekeeper function is the typical one used: they are on the list, and are judged by the provider for being on the list, because of the maximum amount of "gatekeeping" they do and the minimum number of referrals they permit. The faculty and staff are better judges of the product they are receiving than is the typical industrial employee; the situation at the University is very different--but the response of the consultant has been one aimed at typical industrial employment.

Would the network under the "Choice" plan include both general practitioners and specialists? Mr. Forrester said it would include both; the primary care physicians would be in general practice, but the network would include specialists. If the primary care physician model is selected, an employee would not be able to go directly to the specialists, however. If a different decision is made, that limitation would be done away with--and it is the cost implications of that model that will now be explored. A pediatrician would be considered a primary care physician.

The Committee agreed it had no specific plan in mind as a fifth option. One might be an Aware Gold type of high-cost, broad network, broad coverage plan. It would cost a lot more in premium; "if you want it, you pay for it and you get it." Another approach might be a pure indemnity system that has a different kind of maximum out-of-pocket limit. A third approach might be a much broader HMO. Any of them would preserve as much choice of physician as is presently possible without incurring risk (not cost). It was argued that the $3000 out-of-pocket cost says to an employee that if a significant medical problem is anticipated, it is better to stay within the narrow network of general practitioners than to be certain one is getting good care. That is unacceptable.

One option presented to SCFA by the consultant is a fee-for-service option; this indemnity option was estimated to cost $249 for the employee, with the same deductibles and copayments (20%) as the "Choice" option. This was a fast calculation based on assumptions that may or may not be valid. The consultant and Mr. Dickler thought this would be a prohibitively high cost for employees. Another fifth option considered was PHP or a broader version of it. There is a wealth of programs which can be explored.

It was agreed that the University should not give up on obtaining measures of quality care, even though the activity may not yet be fully developed. The Committee agreed that the development of such measures should be encouraged.

There will be, it was affirmed, another round of consultation once information is received from the bidders.

2. Discussion of the Budget Situation

Professor Shapiro next drew the attention of Committee members to resolutions drafted by Professor Morrison. **The Committee unanimously adopted the following resolution**:

1. **The Senate Committee on Finance and Planning thanks the University administration for the candid presentation of the budget situation and pledges its cooperation in working with the administration during the remaining weeks of the legislative session.**

Mr. LaFontaine and Mr. Berg reported that there was no new information on the budget.

After additional discussion, the Committee also unanimously adopted the following three resolutions:

2. **The Senate Committee on Finance and Planning concurs in the President's decision to move forward with the reallocation plan, treating any cut in the base budget as an additional burden to be borne, rather than a substitution for that plan. We concur that reallocation is a process which must go forward, in good budget times or bad.**

3. **The Senate Committee on Finance and Planning concurs in the administration's intention to use targeted or programmatic rather than across-the-board reductions in**

case of a base budget retrenchment. Further across-the-board retrenchments would simply aggravate existing problems, thus eliminating the positive effects of the reallocation process.

4. **The Senate Committee on Finance and Planning is concerned, however, about the potential short-range effects of any targeted or programmatic base cuts made necessary by a reduced biennial appropriation. We encourage the administration to consider "bridging" options during that time, including invasion of reserves, borrowing, and other measures.**

The point of the fourth resolution is that if Governor Carlson's budget produces a base cut, the University will have to close down something. The problem is that "something" cannot be closed down on the first of July; the University will have to figure out a way to close it down in an orderly and reasonably way. This may mean borrowing money or spending money from the reserves. The Committee agreed that the point of the fourth resolution is intended to be entirely separate from the reallocation plan.

It was agreed that Professor Shapiro would transmit these resolutions to the President and the Board of Regents in advance of their meeting later in the week.

Mr. Berg then distributed to the Committee an analysis of how the University fared in the Governor's budget proposal compared to the other systems of higher education. On balance, considering the current and projected number of students in each system, the University was treated relatively better than the other systems. He said, in response to a question, that the Finance Department may have been trying to do the University a good turn, in their technical adjustments to the base, and this makes it appear that the University has at least not been treated unfairly.

Mr. LaFontaine was asked if the proposed freeze on construction would free any funds for the University; he said it would not. He also agreed that if endorsed by the legislature, the freeze on construction would jeopardize gifts to the University, such as the one for Ferguson Hall. The University has submitted information on this point. Mr. Berg speculated that it is unlikely the recommendation will be adopted as proposed.

It was agreed that the Committee would reserve a spot on all future agendas for continued discussion of the budget situation.

3. Discussion of the Report of the Task Force on Liberal Education

Professor Shapiro then referred Committee members to a set of resolutions suggested by Professor Morrison which deal with the report of the Task Force on Liberal Education. Professor Morrison explained that after considering the report, and the financial analysis, he concluded that the Task Force has clearly considered what an undergraduate education should consist of--but said he was puzzled about what the Twin Cities Campus Assembly will be asked to do when the document is presented. Will the document be adopted as a set of requirements or as a goal? It was reported that the Task Force will frame a motion or set of motions for the Assembly to consider, although it has not yet decided on the wording of those motions.

A concern, said one Committee, is that there is a difference between a motion which says "you will do X" and a motion which says "you should do X." The financial estimates of implementing the Task Force reports have been presented, and it is understood that the Task Force requirements are different from the CLA and IT college reallocation funds, so there may not be funds available to implement the recommendations (except possibly in the system-wide initiatives)--so these may be unfunded requirements. The University has had experience with unfunded requirements--students are forced into long lines trying to get into required courses. The point of the resolutions is to respond to these potential problems and to ensure that everyone knows there are not, either at present or in the foreseeable future, funds available to implement these recommendations. It should not be assumed that the recommendations have been reviewed by the Finance and Planning Committee and the administration and can be funded from existing resources.

Professor Ibele commented that the Task Force has, in a general way, considered what would be feasible. He said that the Task Force may also recognize that some of the recommendations may need pilot studies in order to determine how the recommendations should be implemented fully.

Questions about the timeline of implementation of the report were discussed; it was agreed that the Committee should make a statement in advance of the presentation of the report to the Twin Cities Campus Assembly.

Following some additional discussion, the Committee voted unanimously for the following resolutions:

1. **The Senate Committee on Finance and Planning thanks the Task Force on Liberal Education for the presentation regarding the financial implications of the Task Force report.**

2. **The Senate Committee on Finance and Planning takes no position on the educational desirability of the proposed reforms. Those decisions are properly for the Committee on Educational Policy and the Twin Cities Campus Assembly.**

3. **Whereas, the Senate Committee on Finance and Planning notes that it is unlikely that any funding will be made available to facilitate the proposed changes offered by the Task Force, except funding (a) provided by the respective collegiate units as part of their reallocation proposals or (b) provided by central administration through the system-wide initiatives as part of the Undergraduate Initiative, and**

   Whereas, the Senate Committee on Finance and Planning believes that the Provost and Deans involved should consult regarding the availability of financing to carry out the Task Force proposals,

   Be it resolved, in the absence of a firm commitment for such financing, the recommendations of the Task Force should be considered "in principle" only, without providing immediate requirements which could place impossible demands on resources and/or impose on students requirements for which there would be

insufficient course offerings.

It was agreed that Professor Shapiro would transmit these resolutions to Senior Vice President Kuhi and to the Task Force and that he would ask Senior Vice President Kuhi to discuss the funding question with the Committee.

4. Discussion about the System-wide Initiatives

Dr. Foster distributed information about the system-wide initiatives; the language was drawn primarily from the now-withdrawn biennial request. It was agreed that the Committee did not need to take any additional action.

The Committee adjourned at 4:45.

-- Gary Engstrand

University of Minnesota