BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
JULY 26, 2012

[In these minutes: Wellness Points Bank Update, Diabetic Testing Supplies – TRUEresult and TRUEtest, Dependent Eligibility Verification Program Update, Proposed BAC/UPlan Orientation/Information Session, 2013 Medical and Dental Rates]

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

PRESENT: Tina Falkner (chair), Pam Enrici, William Roberts, Tatyana Shamliyan, Dale Swanson, Jody Ebert, Sara Parcells, Jacqlyn Price, Jennifer Schultz, Sandi Sherman, Nancy Fulton, Susann Jackson, Karen Lovro, Carl Anderson, Judith Garrard, Richard McGehee, Fred Morrison, Rodney Loper, Dann Chapman

REGRETS: Joseph Jameson, Amos Deinard, Theodor Litman

ABSENT: Kathryn Brown, Aaron Friedman, Roger Feldman, Keith Dunder

OTHERS ATTENDING: Karen Chapin, Betty Gilchrist, Ryan Gourde, Cherrene Horazuk, Shirley Kuehn, Kathy Pouliot, Kelly Schrotberger, Curt Swenson, Laurie Warner

I). Ms. Falkner convened the meeting, welcomed those present and called for introductions.

II). Ms. Falkner called on Mr. Chapman, director, Employee Benefits, to provide a Wellness Points Bank update. Mr. Chapman stated that as of the end of June, 2,331 individuals had earned the necessary points to reduce their UPlan medical premiums for 2013. He added that there are another 8,185 people who are in the process of earning points to reduce their 2013 premiums.

Mr. Swanson asked when the points for people who elected to participate in the *Fit Choices* activity would be recorded. Ms. Chapin, health programs manager, stated that it takes some time for Medica to collect the data from the participating fitness centers. Once Medica gets this data they will send it to Staywell and the points will be credited to peoples' accounts. She estimates that Staywell should receive the information from Medica by mid July for the people that earned their points in the first five months of the year, and then thereafter there should be monthly reporting.

Professor Garrard asked about the return on investment (ROI) for the Wellness Program. According to Mr. Chapman, the ROI is expected to more than cover the cost of the program. Mr. Gourde, health programs financial manager, added that initial estimates were that approximately 50% of people would achieve the required number of wellness points, but it is too early to know if this initial estimate is correct. Professor Schultz stated that while it is true that people can earn points to get a premium discount, the fact of the matter is that the program actually cost shifted a higher percentage of medical premiums to employees. Mr. Chapman stated that in his opinion, the premium discount and the cost shift are separate and unrelated. The cost shift was not about the Wellness Program, but was the result of budget constraints. He added that while the premium reductions beginning in 2013 are an increase in the University's investment in the Wellness Program, it is an incremental increase.

Professor McGehee stated that from his perspective the premium reductions are simply a transfer of funds from people who do not earn the required number of points to those that do earn the points. Mr. Chapman stated that he disagrees and does not see it as a transfer of funds from non-participants to participants. The incentives that are being paid out are from savings from the Wellness Program. The rates are going up at the same trend that they typically would have gone up regardless if the Wellness Program were in place or not, but now people who participate are getting a premium discount. There is value in providing a discount/incentive because the program generates a ROI. The ROI is then being shared back with participants in the form of a discount/incentive. Based on Mr. Chapman's remarks, Professor McGehee noted that non-participants should actually be thanking participants because they are helping the plan save money.

Mr. Swanson asked whether the premium reduction is taxable to participants. Mr. Chapman stated it is in the sense that it is a reduction in a participant's pre-tax premium payment. While the premium reduction increases participant's taxable income, it is better than receiving a lump sum payment, which is taxed at a much higher rate.

III). Ms. Falkner introduced the next agenda item, a diabetes equipment update. Mr. Chapman stated that a couple individuals have reported problems with their diabetic meters. He noted that people who experience problems should start by calling the TRUEresult technical support number for assistance. Regarding meters that need to be replaced, Mr. Chapman stated that some pharmacies have meters and coupons on hand so UPlan members can immediately get a broken meter replaced for free. Ms. Chapin added that the TRUEresult meters are the standard store meters at Walgreens.

According to Mr. Chapman, UPlan members who need a new meter because theirs has broken should simply buy a new one and contact Employee Benefits to get reimbursed. Employee Benefits is in the process of collecting more information on the meters and plans on rolling out a communication piece that will inform people what they should do in the event of a meter problem.

Ms. Ebert asked whether there are any statistics on the number of problem meters UPlan members have had to deal with. She added the University may want to reconsider using the TRUEresult meters if problems continue so people don't end up in the hospital. Mr. Chapman stated that a meter failing would not cause someone to have to go to the hospital. He added that there is an element of personal responsibility that people need to accept. The University will continue to do whatever it can to make sure people know how to get a meter at no cost. Employee Benefits has no concerns about the TRUEresult meters and has not received a lot of calls about them. The TRUEresult manufacturer is competing with other meter manufacturers, and continues to keep advancing the quality of their meters like other manufacturers. Moving to the TRUEresult meter was projected to save the University half a million dollars/year. Employee Benefits, as time permits, plans to conduct an analysis to confirm the savings, and, according to Mr. Chapman, he expects the savings will be higher than the initial projections. Mr. Chapman acknowledged Ms. Ebert's concerns and stated that Employee Benefits is working on a communication plan as it relates to this issue. Carl Anderson, chief operating officer, Boynton Health Service (BHS), offered having BHS serve as a resource for working with the meter manufacturer/vendor on resolving issues.

In light of time, Ms. Falkner stated that this discussion will be continued at a future meeting once Employee Benefits has had an opportunity to look into this matter further. She added that she would hope Employee Benefits could do a direct, targeted communication to UPlan members with diabetes as opposed to a mass communication to all UPlan members. Mr. Chapman stated that Employee Benefits will need to look into this, and added that it is likely the University's pharmacy benefit manager, Prime Therapeutics, would have to send out the communication because the University does not have the data on which employees are diabetic.

Ms. Warner suggested having the University's medical insurance provider (Medica) do educational pieces on diabetes, for example, as well as other relevant topics. Mr. Chapman and Ms. Chapin agreed to look into this suggestion further and thought that maybe Prime Therapeutics or the TRUEresult manufacturer/vendor could possibly provide some educational pieces.

IV). Next, Ms. Falkner called on Ms. Kuehn, support services manager – Employee Benefits, to give the committee an update on the Dependent Eligibility Verification (DEV) program. Ms. Kuehn distributed a handout to supplement her presentation.

The program, explained Ms. Kuehn, is being rolled out in three phases:

- Phase 1: All University employees (with dependents) enrolled in the UPlan were asked to verify the eligibility of their dependents.
- Phase 2: 1300 University employees with dependent coverage (a combination of employees who did not participate in phase one and about 300 employees selected at random) were asked to submit documentation to verify dependent eligibility. The deadline for providing proof of eligibility is August 29 in order to prevent dependents from losing UPlan coverage effective October 31, 2012.
- Phase 3: On-going verifications.

Any dependents that have been removed from the UPlan to date were the result of employees voluntarily removing ineligible dependents. A total of one percent or 198 dependents were removed from the UPlan during phase one. While one percent does not seem like a lot, it equates to over half million dollars in annual savings and covers the expenses of the project to date. She added that this program was implemented in connection with the University's commitment to operational excellence initiative (http://www1.umn.edu/president/initiatives-priorities/operational-excellence/ and https://excellence.umn.edu/).

Mr. Swanson asked about the number of employees with dependents who did not respond to phase one. Ms. Kuehn reported that approximately 1,000 employees did not respond to phase one.

In response to a question about what kind of notice people will receive before their dependent coverage is removed, Ms. Kuehn explained that employees will have received numerous mailings by that time and Employee Benefits also plans to follow-up with phone calls (assuming they have a phone number) and emails.

Professor Schultz asked if any of the 198 dependents that were dropped during phase one were children. Ms. Kuehn stated that Employee Benefits has this data but it has not yet broken it down. Once the data has been broken down, it will be shared with the committee.

Ms. Shamliyan asked what happens if people chosen to participate in phase two do not respond. Emails and mailings have and will continue to go out to those chosen to participate in phase two who have not yet responded. At some point, Employee Benefits will also call people who are non-responsive.

Ms. Jackson asked whether new employees will be required to submit documents to prove the eligibility of their dependents. Yes, stated Mr. Chapman.

In response to a question asking for clarification about what documents will be accepted to prove dependent eligibility, Mr. Chapman reminded the committee that this program is being administered by Mercer and questions about the types of proof needed to meet the dependent eligibility verification requirement should contact the DEV Service Center (1-866-609-3132).

Before concluding this discussion, Mr. Chapman noted that estimated savings (after the cost of administering the program is factored in) are projected to be $2.5 million/year.

Professor Garrard asked how the $2.5 million in annual savings will be used. Mr. Chapman stated that that money will stay in the UPlan and will be used to reduce future cost increases. Ms. Enrici asked whether President Kaler responded to the BAC resolution requesting that the University administration put any savings from the DEV program back into the UPlan, and apply any savings to the reduction of health benefit costs for eligible employees. To the best of Ms. Falkner's knowledge no formal written response to this resolution was received. With that said, however, Mr. Chapman reassured members that cost savings will stay in the UPlan and will be used to reduce future cost increases. Members were satisfied with this response.

Ms. Lovro asked whether the University plans to continue to contract with Mercer to conduct the dependent eligibility verifications when new employees are hired or whether this will be done internally. Mr. Chapman stated that this has not yet been decided.

Ms. Enrici asked if the University's DEV program is requiring similar documentation to the dependent eligibility program recently conducted by the State of Minnesota. Ms. Kuehn stated that the State of Minnesota required <u>all</u> employees with dependents to provide documentation to prove dependent eligibility.

For more information about the DEV program, visit http://www1.umn.edu/ohr/benefits/eligibility/verification/index.html.

Ms. Falkner thanked Ms. Kuehn for her update.

V). Ms. Falkner reported that she, Mr. Chapman, Ms Chapin, Mr. Watt and Ms. Dempsey met over the summer to talk about the direction of the BAC going forward. At this meeting, the idea of offering a BAC and/or UPlan orientation was raised. The purpose of these sessions would be to provide members with information, which they will likely find helpful as they serve on the committee, e.g., what does being self-insured mean. A majority of members liked this idea. Mr. Chapman suggested thinking about offering a BAC orientation to members but then having a separate UPlan orientation and opening it up to both BAC members and non-members. The more employees that know about and understand how the UPlan operates, the better. Professor Garrard also suggested thinking about offering a workshop on the implications of the Affordable Care Act (health care reform). Ms. Falkner stated that this topic will continue to be on a future BAC agendas. Mr. Chapman added that Employee Benefits is also working on an on-going communication effort for the entire University community to help them understand the implications that health care reform will have on the University and UPlan.

Professor Schultz stated that she heard anecdotally that President Kaler was considering dismantling the BAC and wondered if that was why Mr. Watt presented to the Board of Regents (BOR) this past spring. Mr. Chapman stated that he had not heard of this and added that it is common practice for the BAC chair to provide an annual report to the BOR.

On a semi-related noted, Ms. Enrici requested Professor Morrison comment on the recent Supreme Court ruling related to the Affordable Care Act. Professor Morrison suggested that he give a report at the September 20 BAC meeting on the recent Supreme Court decision.

VI). Next, Ms. Falkner called on Mr. Gourde, health programs financial manager, to share the 2013 medical and dental rates and talk about UPlan rate development. To supplement his presentation, Mr. Gourde distributed a PowerPoint presentation. Salient highlights from his presentation included:

- Rates include several factors:

    - Medical and pharmacy claims (93% of total).
    - HSA contributions (0.2% of total).
    - External administrative fees (2.3% of total).
    - Stop loss and medical conversion insurance (0.8% of total).
    - Internal plan administration (1.3% of total).
    - Wellness programming (2.4% of total).
- For rate setting purposes, the UPlan is considered a single plan and takes into account the experience of the entire plan. Rates for individual UPlan options are set using three differentiating factors:
    - Plan design (copays, coinsurance, and deductibles).
    - Provider pricing.
    - Care and utilization management.
- For 2013, Towers Watson actuaries are projecting a 4.2% rate increase across all plans to account for the expected increase in medical claims. The new rates were then adjust internally to factor in other expenses, e.g., administrative fees, wellness expenses, etc.) As a result, for 2013, UPlan members who do <u>not</u> achieve the required number of wellness points for a premium reduction will see a 5.1% rate increase across all the plans, and members who achieve their wellness points will see a decrease in their 2013 premiums ranging from 2% to 29%.
- Total 2013 UPlan medical expenses are projected to be $245.2 million.

At the conclusion of his presentation, Mr. Gourde turned members' attention to the 2013 UPlan medical rate summary chart, which outlines the 2013 premiums for both those who achieve their wellness points and for those who do not.

Regarding dental rates for 2013, noted Mr. Gourde, while Delta Dental and HealthPartners Dental are projecting dental claims to increase on average 1.7% per employee per year in 2012/2013, employee premiums for 2013 will remain flat. The main reason for not increasing the dental rates for 2013 had to do with the fact that dental expenses were under budget in 2011. Mr. Chapman added that unlike medical rates, dental rates are much more predictable.

Questions/comments from members included:

- What is the total dollar amount of the external administrative fees? Mr. Gourde stated that external administrative fees total $5.7 million. Ms. Chapin added that because the University has a flat dollar amount per employee for its external administrative fees, its fees are much lower than some organizations whose plan administrators charge a percent of claims, etc. The University's external administrative fees are actually quite low compared to other organizations. To put this in perspective, Professor Morrison stated that the University's external administrative costs are roughly 2% of its claims. He then reminded members about recent political flap that resulted in health insurance companies giving refunds to policyholders for having excessive administrative costs and excessive administrative costs were defined as more than 20%.
- The last time UPlan financial data was reported to the BAC, the UPlan was under the medical inflation trend and even under projections for UPlan trend. Does

Towers Watson take the University's experience into account when calculating rate increases? The national medical trend, stated Mr. Gourde, is 7% - 9%, and the reason Towers Watson is projecting a 4.2% increase for the UPlan is because it has factored in the University's experience/history. The UPlan has been doing better than the national trend in recent years. Mr. Chapman added, in terms of plan experience however, the UPlan has only been doing better than the national trend for a short amount of time. Therefore, the University has to be cautious about depending on the UPlan's relatively brief better than expected trend.

- The University should communicate to employees and encourage them to earn wellness points in order to reduce their 2013 premiums. Mr. Chapman stated that Employee Benefits has regularly been communicating with employees about the Wellness Program and the need to earn a specified number of points in order to reduce their premiums for next year. He added, however, that he is hesitant to trumpet the program to people for who it at this point it would be impossible to earn the required number of points in order to reduce their premiums. If people have not made significant progress on earning points to date, there is no way they will be able to earn enough points at this late date.
- When can employees start earning points toward their 2014 premium reductions? Ms. Falkner stated that employees will have a longer period of time in which to earn their points to reduce their 2014 premiums. The period for earning wellness points toward 2014 premium reductions will run from October 2012 – August 2013 versus this year when people had to earn their points between January – August 2012.
- Will the Medical Premium Relief Program be continued? Mr. Chapman stated that the program has been extended for those who are already in the program for another six months, through June 2013. He added that he is looking into whether it may be possible for new people to participate in the program, however, this is not clear at this point. The original intent of the program was to help current employees who as a result of pay freezes and increased health care costs were financially struggling to pay their premiums and provide them with financial assistance.
- Can new employees qualify for a 2013 premium reduction? Yes, stated Mr. Gourde, new employees who are benefits eligible between June 2, 2012, and October 1, 2012, and who take the wellness assessment by October 31, 2012, will qualify to earn wellness points to reduce their 2013 rate contribution for UPlan Medical Program coverage. New employees who are eligible for benefits after October 1, 2012, are required to wait until their medical coverage is active to earn wellness points to reduce their 2014 rate contribution.

Ms. Falkner thanked Mr. Gourde for this presentation.

Professor Schultz noted that there was an article in yesterday's St. Paul Pioneer Press (http://www.twincities.com/ci_21157044/report-says-minnesota-health-costs-moderated-through-2010?IADID=Search-www.twincities.com-www.twincities.com) that highlighted a report coming out of the Minnesota Department of Health, which indicated that from 2009 to 2010 Minnesota's health care spend grew by only 2.2%. Ms. Chapin stated that some of the recessionary reasons cited for this minimal increase do not necessarily apply to the UPlan because, for the most part, the plan is affordable for most people. Members spent the remaining few minutes of the meeting talking about the findings in this report.

VI). Hearing no further business, Ms. Falkner adjourned the meeting.

Renee Dempsey
University Senate