

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
AUGUST 29, 2002

[In these minutes: Medevac RFP Update, Final Rates for UPlan Offerings, Definity Health Changes, Open Forum Highlights – Dental and Life, Wellness Update, UPlan Forum – Medical Highlights]

[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, Michelle Lamere, Nancy Wilson, Don Cavalier, Wendy Williamson, Carol Carrier, George Green, Gailon Roen, Steve Chilton, Richard McGehee, Peh Ng, Theodor Litman, Dann Chapman, Keith Dunder

REGRETS: Joseph Jameson, Susan Brorson, Amos Deinard, Gavin Watt, Carla Volkman-Lien

OTHERS: Kathy Pouliot, Linda Blake, Jackie Singer, Tonya Soli

ABSENT: Frank Cerra, Marjorie Cowmeadow

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

II). Members reviewed the final version of the Medevac RFP. The RFP is intended to identify and collect bids from vendors well versed in providing medical evacuation and repatriation services. This item was brought to the Committee as 'information only' and no further action is required at this time.

It is the Subcommittee's understanding that current medical plans will pay these costs. The problem is that the University's carriers do not know how to arrange for these types of services.

III). Dann Chapman, Director of Employee Benefits, distributed a handout and gave members an overview of the 'Final Rates for UPlan Offerings'.

- Due to what appears to be a miscalculation, the University's contribution to its dental plans may increase while employee paid contributions may decrease slightly. Employee Benefits will refigure the rates using the correct formula to determine employer and employee rate contributions. Rate changes would apply to all plan offerings except the state dental plan replacement, Delta Preferred Option/Delta Premier.

- The next page of the handout provided members with a list of the life and disability basic benefits sets and the premiums for optional employee life insurance. As a result of changes to the life and disability plans, the University was able to save enough money on the base policy to improve the dental plan offerings and significantly reduce the optional life insurance rates paid by employees.
- Members reviewed the 2003 monthly medical plan rates for retirees under age 65 and post 65 retirees on Medicare. Post 65 retirees on Medicare will have 5 rather than 4 health insurance options from which to choose. The new offering is Medica Group Prime Option 2 that covers a broader geographic area. It was noted that retirees assume full responsibility for the cost of whichever health plan they participate in. Presently, the University has a two-step premium rate structure for retirees, one for the retiree and a separate rate for dependents. This is a plan structure issue that the Committee will look at this fall.

IV). Dann Chapman updated members on changes to the Definity Health Plan. The IRS has issued guidance and now recognizes plans such as Definity. What Definity formerly called a Personal Care Account (PCA), the IRS now calls a Healthcare Reimbursement Account (HRA). It is the IRS's fundamental position that an employee's FSA (Flexible Spending Account), which are pre-tax dollars contributed by the employee [this is the account administered by Employee Benefits] cannot be deferred from one year to the next on a taxed advantage basis. The PCA, on the other hand, are employer-paid dollars so these funds do not have the same restrictions and can be carried forward [these are the accounts administered by Definity].

When examining the University's plan design with Definity the IRS became suspicious. Because Option 1 and Option 2 had different PCA amounts, it appeared as though the employee was contributing funds into Option 2, the option with the higher PCA. In light of the guidance from the IRS the University has restructured that benefit so both options have the same PCA amounts - \$750.00 single and \$1500.00 for a family. The difference between Options 1 and 2 is whether the employee's deductible is one times or two times the PCA amount. In Option 1 the deductible is one times the PCA and that means there would be a \$750.00 out of pocket exposure for an individual; in Option 2 there would be a \$1,500.00 out of pocket exposure for an individual. (Potential exposure on family policies would, in each case, be double that.)

The IRS also stipulates that the PCA must pay first UNLESS the University puts very specific language into its plan documents allowing the FSA to pay first. Because the University does not have time to modify its plan documents for 2003, the element of choice for plan participants will be restricted. The University plans to work with the IRS to allow employees greater choice in the future. To eliminate confusion concerning these changes, Employee Benefits is drafting a list detailing eligible and ineligible PCA expenses and eligible and ineligible FSA expenses. There will be no coverage overlap between the PCA and FSA.

The new plan design will be simpler to understand and allow participants the ability to make easier comparisons between plan offerings.

Employee Benefits will be looking at the advantages and disadvantages of having the FSA or the PCA pay first. Again, specific language needs to be written in to the University's plan documents outlining how PCA and FSA dollars can be spent thus allowing plan participants the greatest amount of flexibility.

V). Members received a PowerPoint handout being distributed at UPlan Employee Open Forums. These open forums are being conducted on all campuses and provide valuable information on new UPlan medical, dental and life insurance coverage. Small group forums can be arranged by contacting Myron Guthrie in Employee Benefits at guthr001@umn.edu or (612)624-8550. Dann Chapman led the Committee through the handout highlighting the following:

Dental Insurance Highlights:

- Five dental plans will be offered in 2003.
- Mr. Chapman referred members to the handout that provided them with information on the benefits offered through the various plans.
- Orthodontic benefits will not change from 2002 to 2003.
- Orthodontic accumulations an employee carries forward from the state plan into the UPlan will not start over.
- Improved dental coverage highlights:
 - Improved annual benefit maximums in the two larger networks will increase from \$1,000 to \$1,250.
 - The two smaller and no network plans have a \$1,500 benefit maximum.
 - Increased preventive visits for individuals with pre-periodontal disease.
 - The option to apply the bridgework benefit towards dental implants when appropriate.

Life Insurance Highlights:

- Life insurance coverage is being improved and savings are being realized. Employee's are directly experiencing savings with lower rates and the University's savings are being applied towards improved dental benefits.
- For 2003, Basic Life will be one times an individual's annual base salary, rounded up to the next \$5,000 with no maximum.
- Faculty and P&A staff with salaries of \$95,000 or less will have up to \$25,000 of Faculty Group Life so that the total amount of Basic Life plus Faculty Group Life does not exceed \$100,000.
- Additional Employee Life Insurance maximum amount increases from \$500,000 to \$1 million.
- The post-retirement death benefit will be eliminated.
- The ADEA life insurance reduction schedule will be put in place for employees 65 and older.*

*The University is currently negotiating with Minnesota Life to resolve a contractual issue. The University was under the impression that the life insurance contract with Minnesota Life gave individuals affected by the ADEA reduction schedule an opportunity to purchase 'guaranteed issue' life insurance at their own expense without undergoing underwriting. Minnesota Life disagrees.

VI). Wellness update from Vice President of Human Resources, Carol Carrier:

A feasibility study will be conducted to take an inventory of wellness-related resources on each campus. The University has retained the services of an experienced outside vendor, Johnson & Johnson, to conduct the analysis and investigate what the University's current medical plan administrators offer.

More information on this initiative will be available at the September 19th meeting. Professor Morrison mentioned that besides improving the health of the University's employees it is important to improve the health of their family members as well.

Professor Morrison excused himself to attend to another matter and announced that Professor McGehee would preside over the remaining portion of the meeting.

VII). Dann Chapman's responses to questions concerning the new dental insurance offerings and the post-retirement death benefit:

Reimbursement rates to dentists will be better through the UPlan than those paid by the state. Additionally, for employees and their families that continue to encounter dentists that refuse to accept discounts, the University's new indemnity plan allows employees to go to any dentist because there are no network limitations. Although there is a slightly higher premium cost and some risk of higher out-of-pocket expenses should the dentist charge more than the allowable amount, it is important to remember that this plan offers substantial coverage and flexibility.

The dollars to fund the post-retirement death benefit are currently being funded out of excess reserves held by the State of Minnesota. If the University collects their portion of the reserves, Employee Benefits will negotiate with the various employee groups about how these dollars will be returned to affected employees. Employees retiring this year are eligible to receive the post-retirement death benefit under the state plan but those retiring in 2003 and after will not.

VIII). UPlan Forum - Medical Highlights

:

- UPlan administrators remain the same:
 - HealthPartners Classic
 - Patient Choice (formerly Choice Plus)
 - PreferredOne National & PreferredOne Regional
 - Definity Health

- Benefit Changes between 2002 and 2003:
 - Annual Out-of-Pocket Maximums for prescriptions will increase.
 - All other in-network care deductibles will increase.
 - In 2002 there was a cap on office visit co-pays but beginning in 2003 there will be no cap.

- Retroactive to the beginning of the plan year the exclusion of certain types of infertility treatment has been removed. The \$10,000 lifetime maximum remains in place.

- Plan Changes – Choice Plus
 - New name – Patient Choice
 - New Care System added: North Clinic
 - Some care systems have moved into different cost groups for 2003

- Plan Changes – Definity Health
 - The amounts of the Personal Care Account (PCA) in Options 1 and 2 are different from 2002
 - Deductible amounts in both options have changed

- Open forums will include a summary of contributions including employee costs.

- Employees are reminded that contributions to the medical and dental options are taken on a pre-tax basis.

IX). With no further business, Professor McGehee adjourned the meeting.

Renee Dempsey
University Senate

