Minutes*

Faculty Consultative Committee
March 14, 1991

Present: W. Andrew Collins (chair pro tem), Amos Deinard, Paul Holm, Norman Kerr, J. Kim Munholland, Burton Shapiro, Charlotte Striebel, James VanAlstine, Shirley Zimmerman

Guests: Robert Dickler, Senior Vice President Robert Erickson, Acting Vice President Cherie Perlmutter, Maureen Smith (Brief), John Sullivan (chair, Senate Research Committee), John Thuente (ORTTA)

1. Report of the Chair

Professor Collins reported that Professor Ibele is out of town, at professional meetings, and had asked him to serve as chair of the meeting.

Professor Collins informed the Committee that Professor Munholland has replaced Professor Clayton as chair of the Senate Committee on Educational Policy; Professor Clayton is on leave Spring Quarter.

Professor Collins also welcomed Senior Vice President Erickson to the meeting and called for introductions. Mr. Erickson expressed pleasure at attending the meeting and commented on the importance of the Committee.

2. Report on the Health Care Task Force Proposals

[Note: Those wishing to read reports of fuller discussions of the health plan proposal can refer to the 2/19 and 3/5 minutes of the Senate Committee on Finance and Planning; if you do not receive or have a copy of those minutes and wish them, contact the Consultative Committee office at 6-0884.]

Professor Collins next welcomed Mr. Dickler to the meeting to consult on the health insurance proposals. Mr. Dickler began by noting that the consultation thus far, especially with the Senate Committee on Faculty Affairs and the Senate Committee on Finance and Planning, has had an impact on shaping the "Request for Proposals" that will be sent to those who will bid on providing health care to the University.

At the invitation of the Committee, Mr. Dickler briefly sketched the program proposed by the Health Care Task Force. The Task Force has worked for about a year and has broad representation from the University community. It had before it two questions: One, should the University continue to participate in the State of Minnesota fringe benefit programs; if not, what should the University do? The conclusion of the Task Force, by a wide margin, was that the University should separate from the State. Considering all the information available, the Task Force concluded that the University could, over time,

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provide fringe benefit insurance programs which would be more responsive to the needs of the University community by having University control over them. Based on the consultant's information, the Task Force felt the University is a large enough group to command reasonable prices from the market and that separation from the State would not be a disadvantage. Not only could certain things be accomplished in health insurance, but the University could develop a full "flexible benefits" program if it had self-determination. This would permit all University employees to individualize their fringe benefits to a much greater extent than they are able to do today.

It is also important to note what the Task Force concluded it could not do. It could not propose to the University an indemnity insurance program which permitted everyone to go wherever they wanted for first-dollar coverage for reasonable premiums. It could not offer a program which would make everybody happier than they may be today. There are some "downsides" to restructuring the health insurance program, in that there will be some individuals who, from their perspective, will be disadvantaged. Health insurance, he commented, is a very individual issue; choice of one's provider is a very individual issue. With the program proposed by the Task Force, some will feel they are constrained from continuing with their provider or that they are economically disadvantaged by doing so. The Task Force believes that group, however, is a minority of the University community.

The Task Force has proposed to the Regents that they endorse separation from the State and has suggested a set of guiding principles by which the separation would occur and against which future insurance programs would be tested. These principles include, inter alia, the amount of freedom of choice and attempts to retain budget neutrality both for the University and its employees. The Board is scheduled to act on this recommendation at its April meeting.

The separation from the State is proposed for January 1, 1992. The Task Force is convening in special session, however, to consider whether or not that date is realistic. As a result of the consultation process and of discussions with the State, there is an increasing level of uncertainty about whether all that needs to be done--in reformulating the plan, the RFP process, further consultation, negotiations with the State, and negotiations with the unions--can be accomplished in the time that would be available. This has all been complicated by the significant expansion of the combinations and permutations which will be considered in the RFP process. A number of changes have been made in order to be able to better evaluate the trade-offs between premium, level of benefits, and the size of the network that would be available. So, for example, instead of asking Blue Cross to bid one network, the University is asking them to bid multiple networks, with different numbers of physicians, and to provide information on the cost implications of those different networks. They are also being asked about the economic implications of having, or not having, a primary care "gatekeeper," and about the economic implications of co-payments of $10, $5, or $0 for routine office visits. The need to evaluate these kinds of factors makes the decision process much more complicated.

The Task Force has had very good meetings with State and it should not be made to look like a villain. Their logistics, related to the collective bargaining process, make a delay in the decision (to June 1 rather than in April) very difficult for them--for good and logical reasons. The Task Force has been requested, by a number of consultative bodies, to obtain such a delay; Mr. Dickler said he could not predict what the outcome of the Task Force deliberations would be but wanted the Committee to know that it is reconsidering the timing question. Everyone involved in the process believes that if the

University cannot do it right, it should not rush precipitously ahead but should take the time to put in place the best possible plan.

The focal point of most of the discussions has been the "Choice" plan, even to the extent of whether or not that label is an accurate one. The Task Force has attempted, with that option, to respond to the themes it heard from the surveys and correspondence and discussions it has had. There is a desire for a higher level of individual choice without great financial cost. The option proposed is a combination of a preferred provider network plan--in many ways similar to the State Health Plan--but with a smaller network, with a primary care physician management role, with some co-payments to deal with utilization rates, and with this narrower set of options then affording much better out-of-network benefits. That is, individuals can go to any provider they wish and have lower out-of-pocket costs both in aggregate and per-instance of care (80-20 insurance and $1500 limit for an individual). With the State Health Plan or PHP, the out-of-network coverage is 70-30 and a $3000 out-of-pocket limit.

The net impact is that for individuals in the State Health Plan or PHP the premiums would be about the same and the out-of-pocket limits would be lower. For someone in Share or MedCenters, the premiums would be somewhat higher.

The question that the Task Force cannot answer, for many people, is whether or not their provider will be part of the network. The network is not yet bid so who will be in it is not known; every attempt will be made to have as large a network as possible and to respond to individual concerns.

Some basic premises are important, Mr. Dickler said. There is a natural inclination to compare the proposal with what exists today. He emphasized that the State programs are going to change; the pressures that are affecting health care insurance are causing problems across the board. The State is also asking what the impact of co-payments or a smaller network would be. Even if the University does not go with the State, no one should assume that they will have the same health care plan now and in the future.

The second orientation of the Task Force was not to solve a 1992 problem but also to address the issues in health care and fringe benefits, which will become much more difficult in the future. As the University looks to 1995 and beyond, it will be even more important for it to be in control and to be in a position to responding to the characteristics, both geographically as well as in terms of employees. The Task Force sees this as an evolving process; it has proposed a scheme which will serve for two or three years. No one believes it will be the same in the latter part of the decade.

One Committee member noted that a decision to separate from the State had earlier been said not to be possible because the University spends more on health care and the State was subsidizing our coverage; did that turn out not to be true, or is it true and the decision has been made that it will be worth it and the University will foot the extra cost? Mr. Dickler affirmed that University utilization rates are higher on average than that of State employees (and they differ by insurer). That factor does mean the University could not separate and offer the same array of programs at the same cost.

The proposals the Task Force developed to deal with the issue are maintaining the Group Health-type option--which is not expected to change very much--and a plan which, for in-network care, has stronger utilization controls (the primary care management role, co-payments for visits, and a smaller

network so that the University can obtain higher discounts). The reason one uses a network, Mr. Dickler explained, is that one trades volume for dollars; the smaller the network, in theory the higher the discount one can obtain from doctors and hospitals. If every physician and hospital is in the plan, there is not much motivation to discount. This economic proposition, he added, will be tested in the bid process; it has held true with many other employers.

So, it was said, the University will try to control the differential rates. Mr. Erickson agreed; he observed that it will be important to know precisely what the impact of a change in health coverage will be before the University makes the leap. Once done, the options are closed, so it is important to have identified the cost differentials and the probable issues.

In the instance of Morris, which is the one campus not close to any metropolitan area, the campus was cut out from a number of providers, including some in the Twin Cities. Some of their providers, it was said, were apparently never even asked if they would be part of the network. Will the faculty at Morris have anything to say about the choice of providers? Mr. Dickler said they would. The concept of a "smaller network" is not one that obtains for smaller communities. He also pointed out that there is less incentive for physicians to join a network, and offer the discounts, in those areas--they'll get the business anyway. Once the networks are bid, it is the intent to return to each coordinate campus and discuss the proposal and to ask who else should be in it (and help the University convince them to join it). Since no RFP has been sent out, it is not known what providers would be included, but once the bid has been made, it will be modified--that has always been understood.

The University will also ask, in the RFP, if an individual can have two primary care providers--for those faculty at coordinate campuses, for instance, who also have a provider in the Twin Cities. Each family member could then have a different group of primary care physicians.

Is the State disturbed by the potential loss of the University and to what extent are they making overtures to keep the University in, Mr. Dickler was asked. He said the State plan people, both management and labor, are not upset. They just want the University to make up its mind; this is not the first time the University has considered leaving and it is the uncertainty which they find troublesome. Their negotiations require certainty on what the group will be. The labor unions--95% of all State employees are unionized--are not antagonistic but do want certainty before they can enter into negotiations with the State.

Will the University departure work to the disadvantage of the rank and file? Mr. Dickler said it may work to their advantage because the University has a higher utilization rate. The only nuance which might be noted is that the unions have an increased number of University employees among their members; there would be some advantage to having consistency in coverage for their members. This increased unionization among University employees could add complications to the negotiations for the University's health coverage. One possibility suggested by the unions is that union members be given the option to stay with the State plan even if other groups of University employees are in a separate plan. The University, Mr. Dickler said, has to do an analysis of differential utilization rates; it is possible that unionized employees use health care at a lower rate. If they were to withdraw from the pool, that has economic implications for the proposals. (About 6,000 of 18,000 University employees are now unionized; there are also two pending elections which, if a bargaining agent is selected, would bring the

unionized total to about 11,000. In that event, it would be predominantly supervisory employees and the faculty which would not belong to unions.)

One concern of the Finance and Planning Committee, Professor Shapiro reported, is the concept of the "gatekeeper." The gatekeepers would be internists, family practice physicians, pediatricians, and obstetricians/gynecologists. Of concern is the necessity for two doctors visits to see one--even when one knows who the specialist it is that one needs to see. Costs are reduced when these gatekeepers are used; how "well oiled" will that gate be? Mr. Dickler said it varies with the system--some are very experienced and have "well oiled" gates. Others may not have experience with it and would have to work through its adoption.

The Group Health option is at one end of the spectrum in terms of flexibility, Mr. Dickler commented; it is a closed system with few referrals outside their own physicians. The drawback is that there is no coverage of care outside the system unless it is approved. The "Choice" option, by comparison, would permit one to use the network so long as it served one's needs--and if it did not, one could go outside of it for treatment at any time, with 80% coverage and a limit on out-of-pocket costs, and then return to the network for coverage until such time as one again chose to go outside it. "If we can bring that off, in terms of [providing] the greatest level of flexibility, would be about as good as anybody can do in the current health care and insurance environment without costs that so outstrip both the University's and the individual's ability to deal with them that we would not have a viable program."

Is the purpose of the co-payment to make people stop and think about going to the doctor or is it significant in terms of overall costs? It is more significant in utilization rates than in economics, Mr. Dickler said. One thing that the University wants to examine in the bidding process is whether the gatekeeper or the co-payment is more important--and is there a way to trade off between the two?

Mr. Dickler confirmed that there would be a co-payment for emergency room use, as there is now. If there is a true emergency, while traveling or even in town, it would be covered under the network; authorization would be received. But if one chooses to go the emergency room--without contacting the primary care physician (who is supposed to be available 24 hours a day)--then one will pay a penalty.

There is no doubt, Mr. Dickler said, whether the University stays with the State or not, that insurance programs will call for more discipline in the way everyone uses health services than is the case with the current State plan. Many would argue that over the next 3 - 5 years that neither the State health plan nor PHP can survive in their current form--because they will become more and more expensive and attract higher risk populations and eventually get into a "death spiral" because they will be so expensive they will attract only the worst risk populations. It is hoped that the University can grapple with this problem prospectively rather than waiting for them to occur--in order to avoid major dislocations in health care for employees.

Mr. Dickler said he would welcome comments from Committee members on what they are hearing from their colleagues.

Mr. Dickler thanked the Committee for its time; Professor Collins extended thanks for the work he has put in on the health care proposal.

3. Discussion with Acting Vice President Perlmutter

Professor Collins welcomed Ms. Perlmutter to the meeting. The meeting was closed in order to discuss various implications of proposed personnel decisions.

It was agreed, following the discussion, that either Professor Collins or Professor Ibele would write to Senior Vice President Kuhi asking that clear procedures be established for placement and evaluation of faculty members when departments are dissolved or divided, taking into account the applicable provisions of the tenure code, and that he meet with the Committee to discuss those procedures.

4. Discussion of Proposed Changes in the Policy on Disclosure of Possible Conflicts of Interest

Professor Collins next welcomed Professor John Sullivan, Chair of the Senate Research Committee, and Mr. John Thuente from the Office of Research Administration and Technology Transfer to the meeting to discuss proposed changes in the disclosure policy.

The most important issue, Professor Sullivan said, is that the existing policy applied narrowly--to research proposals or grants that would be funded by an external agency (a company) for a researcher at the University and where the researcher holds an interest in the company itself. It was felt that the definition was too narrow; some researchers who hold an interest in a company may be doing research that is funded by the University, or that is funded by any other agencies (including the federal government), that will have an impact on the company. That is, even though the company is not funding the research, it may benefit from the results, and the individual may have an interest in that company. The language is broadened, in certain places, to cover that possibility.

The other area where the application of the policy has been broadened is to include disclosure of a potential conflict of interest where one is simply communicating research results--perhaps at a professional meeting or in a publication. That is, where one has an interest in a company which could be affected by the research results, that interest must be disclosed in the communication of the research--so that people may take that interest into account when evaluating the research.

Mr. Thuente then walked the Committee members through the specific language in the policy which implements the changes Professor Sullivan outlined as well as a few other minor changes. Insofar as disclosing a possible conflict of interest when making a grant proposal, Mr. Thuente pointed out, it is likely that NIH will require such disclosures in the very near future.

Committee members discussed various issues related to the policy, including some not raised by the proposed changes, but concluded that no additional changes were needed at this time. It was confirmed by Professor Sullivan, following some questions, that the policy in general only applies when there is a possible conflict of interest because the researcher has an interest in a company which might benefit from the research results; other ("normal") consulting arrangements would continue to be reported on the appropriate forms but would not be covered by this policy. The general thrust of the policy is that if one is in doubt, one should disclose.

Professor Collins inquired whether or not the changes should go to the Faculty Senate. It was suggested that these changes may be more in the nature of clarification than fundamental policy changes and that perhaps they should be reported to the Faculty Senate for information.

Professor Sullivan reported that he also reporting these changes to the P&A advisory committee and the Civil Service Committee.

It was agreed that the Committee would take up the proposed changes at its April 4 meeting, after Professor Sullivan has completed his round of consultation, and will decide then how and when to present it to the Faculty Senate.

Professor Collins thanked Professor Sullivan and Mr. Thuente for their time.

5. Schedule for Next Year's meetings

Committee members were asked if there was any sentiment for changing the times or days of the FCC and SCC meetings. There was a marked lack of enthusiasm for any change.

The Committee adjourned at 2:45.

-- Gary Engstrand