BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
AUGUST 2, 2007

[In these minutes: Doula Services Update, Pharmacy Working Group Update, Proposed Benefit Changes for 2008, 2008 Medical and Dental Rates, Announcements]

[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, Karen Wolterstorff, Jody Ebert, Rhonda Jennen, Jerremy Mlenar, Sandi Sherman, Nancy Fulton, Joseph Jameson, Michael Marotteck, George Green, Richard McGehee, Fred Morrison, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Jennifer Imsande, Carla Volkman-Lien, Carl Anderson, Amos Deinard, Michael OÕReilly,

ABSENT: Carol Carrier, Frank Cerra, Keith Dunder

OTHERS ATTENDING: Bob Altman, Linda Blake, Ted Butler, Karen Chapin, Joyce Carlson, Murray Harber, Kelly Schrotberger, Jackie Singer, Curt Swenson

I). Gavin Watt called the meeting to order. He asked the committee to take a moment of silence and reflect on the I35W bridge tragedy.

II). Gavin Watt stated that the committee will discuss several potential benefits changes today, all of which are subject to bargaining. During this discussion, should it become necessary for the committee to close the meeting, all non-voting members will be asked to leave the room.

Before this discussion occurred, Mr. Watt turned to representatives from Employee Benefits for any announcements. Karen Chapin reported that Employee Benefits has continued to explore the possibility of providing doula services for UPlan members. The UniversityÕs medical plan administrators continue to be unable to pay these claims due to the fact that there are no certification or licensing requirements for doulas. Recent legislation has moved that a doula registry be set up; this is a step in the right direction, but, unfortunately, this legislation is still not sufficient for the UniversityÕs medical plan administrators to pay doula claims. Therefore, the University will not be able to pay doula claims, but doula services may be covered if they are hospital-based and the cost is submitted as part of a hospital claim.

III). Gavin Watt reported that a Pharmacy Working Group was established in May to address RxAmerica concerns that were uncovered as part of the plan review. The first concern this group dealt with was how to prevent UPlan members from going to the pharmacy and being required to pay the full cost of a prescription.

Gavin Watt reported effective August 1, 2007 all drugs on the prior authorization or step therapy list have a 5-day emergency override. The co-pay will be paid at the time the remaining portion of the prescription is picked up. Similarly, for specialty drugs, there will be a 7-day override for ÔemergencyÕ specialty drugs; other specialty drugs do not have an override process in place.

The Pharmacy Working Group is also looking at the step therapy and prior authorization process in an attempt to clarify/simplify these processes for UPlan members.

On an different note, a member asked whether the University ever received a written response from Harris HealthTrends concerning how they intend to address issues that were uncovered during their plan review, e.g. at what point is health coaching considered to be a success). Several members of the committee requested a written response from not only Harris HealthTrends, but other plan administrators regarding the steps they intend to take to address issues uncovered during the plan reviews. Gavin Watt agreed to follow-up with Harris HealthTrends on this request.

IV). Next, the committee examined potential benefit changes, which, of course, are subject to bargaining. Mr. Chapman specifically welcomed input from the bargaining representatives on the committee with respect to the proposed changes.

- **Liberalize the eligibility definition for the dependent 19 to 25 year old medical insurance requirement**. Recently, according to Mr. Chapman, the legislature passed a bill impacting fully insured plans in Minnesota. The goal of this bill was to increase access to health insurance for the underinsured and uninsured. While technically this bill does not affect the University because it has a self-insured plan, the University is supportive of the legislatureÕs goal of expanding access to the uninsured and under insured, and, therefore, it is proposing a more liberal eligibility definition, which would coincide with the new eligibility definition for fully insured plans. The current eligibility definition states, *An employeeÕs unmarried dependent children from age 19 to 25 are eligible if the employee provides more than half of the dependent childÕs support AND the dependent child attends an accredited high school, college, university or trade school on a full-time basis as defined by that educational institution.* The eligibility definition being proposed by the University is: *An employeeÕs unmarried dependent children from age 19 to 25 are eligible if the employee provides more than half of the dependent childÕs support OR the dependent child attends an accredited high school, college, university or trade school on a full time basis as defined by that educational institution.*

  The University has looked at the cost of changing the eligibility definition, which seems reasonable (up to 7/10 of 1% or $1.2 million annually, but it could very well be less than that amount). Another reason for changing the eligibility definition, noted Mr. Chapman, has to do with administration. Enforcement of student eligibility has been an irritant not only for the University but also for students and their parents. Mr. Chapman added that the word on the street is that other employers, and not only fully insured employers, are planning to adopt this revised dependent 19 – 25 year old eligibility definition. Karen Chapin walked members through a handout, which illustrated the proposed changes to the definition. While a formal vote was not taken on this proposed change, the general tone of the committee was one of endorsement for the proposed change.

- **Offer UPlan members a health club incentive**. Dann Chapman reported that the University has been considering offering a health club incentive to UPlan members for quite awhile, but, before doing so, it was awaiting studies conducted by HealthPartners and Medica to determine whether offering health club incentives would provide for a return on investment (ROI). Study results suggest, according to Mr. Chapman, that there may be at least a one-to-one return on investment. For this and other reasons the University is proposing that it move forward with offering this benefit starting January 1, 2008.

  Assuming this benefit will be offered starting January 1, 2008, the UniversityÕs current health plan administrators would administer the program. The incentive would be up to $20 per month for active health club participation, which would need to be demonstrated on a month-by-month basis.

  Mr. Chapman noted that there are a variety of complications in terms of the University being able to offer this benefit, which are still in the process of being worked out. A major complication is that the HealthPartners and Medica programs differ. The Medica program requires only 8 visits per month to qualify for the incentive payment and they will only pay one incentive per family membership (but they would pay two incentive payments for two individual health club memberships), whereas HealthPartners requires 12 visits per month (per person) to qualify for the incentive payment, but they will pay up to two incentives per month, e.g. employee plus spouse or same sex domestic partner. It is uncertain at this time if the University can make the programs uniform across the UPlan. At this time, it seems highly unlikely that Medica would be able to administer two incentives per month for a family membership.

  Mr. Chapman went on to note that while HealthPartners and Medica have contracts with a large number of health clubs, they do not contract with all health clubs. The clubs they contract with tend to be the larger clubs versus the smaller clubs; for example, Curves is not included in either the HealthPartners program or the Medica program.

  While Dann Chapman thought it best to let each program be rolled out as it is currently set up by each administrator, committee members did not indicate conclusively either way whether the programs should be uniform or left as is.

- **<u>Conduct dental open enrollment every year</u>**. The University is proposing that dental enrollment be open every year rather than every other year on a permanent basis. Members had no comments regarding this proposal.

- **<u>Terminate medical coverage at end of month of last day worked</u>**. Currently, according to Dann Chapman, the University has a non-standard end of medical coverage policy compared to most organizations. Typically, for most organizations, coverage terminates on the last day of the month following the last day of employment. The UniversityÕs coverage, however, is measured by the last day of an employeeÕs pay period, which can extend into another month. This non-standard coverage termination practice costs the UPlan money to cover people that are no longer University employees. Therefore, the proposal is that coverage be terminated as of the last day of the month following the last day of employment.

  Members did not voice any concerns regarding this proposal.

- **<u>Terminate dental coverage at end of month of last day worked</u>**. Dann Chapman stated currently the University dental coverage terminates on the last day of the pay period when an employee terminates. The University proposes that coverage be terminated as of the last day of the month following the last day of employment.

  Termination of medical and dental coverage was discussed in tandem. A member voiced concern that deductions will be taken for a benefit that they are not eligible to receive. Dann Chapman acknowledged that it does become very complicated, but noted that coverage varies slightly from employee to employee even now under the current system.

  Another member was concerned about how this proposed change would be administered through PeopleSoft when the last day worked and termination date are different. Mr. Chapman noted there would undoubtedly be challenges associated with getting the correct data input into PeopleSoft. Other than the technical details the committee did not object to these proposals.

- **<u>Offer only standard COBRA to ex-spouses and ex-same sex domestic partners</u>**. With the UniversityÕs move to a four-tier rate structure, it now has clear tiers of coverage. Tier four is clearly employee plus spouse or same-sex domestic partner (SSDP) plus child or children and no longer allows for an employee covering both a current and former spouse(es)/SSDP(s).

  Currently, ex-spouses/ex-SSDPs currently on COBRA that they will have unlimited coverage and can be on COBRA for the rest of their lives. This occurred because up until fairly recently the University system could not tie a spouse/SSDP back to an employee. Therefore, if an employee terminated and his/her ex-spouse/SSDP had COBRA coverage there was no way to identify this relationship in the system.

The University is proposing that when there is a divorce, the ex-spouse/SSDP be offered COBRA coverage as of the effective date of the divorce and that person will then have up to 36 months of COBRA coverage, and after that they are off the UniversityÕs policy.

A concern that comes up for some people, noted Mr. Chapman, is that it would appear that the University is not complying with the law in terms of ex-spouse/SSDP coverage. Mr. Chapman stated that a court may place an obligation on a given employee to provide insurance coverage for an ex-spouse/SSDP, but this does not in turn place an obligation on the University to provide that coverage.

Despite what many people believe, stated Mr. Chapman, COBRA coverage costs the University a significant amount of money. This is because the only people that typically elect to pay such a high premium (full cost of coverage plus a 2% load for an administrative fee) are often people that are very high risk. These individuals are frequently high users, which adds a significant load to the cost of the UPlan.

The University is proposing that effective January 1, 2008 only standard COBRA be offered to ex-spouses/SSDPs and that the change be administered only prospectively; therefore, it would apply to divorces or separations that occur on or after January 1, 2008. The University has been given legal advice that it cannot retroactively terminate this benefit for those that are already signed up for it. Currently, the University has approximately 87 of these individuals on the UPlan.

Members did not voice any concerns regarding this proposal.

- **Have the co-pay for contraceptives be the same as other prescriptions**. Currently, a 90-day supply of contraceptives costs a single co-pay. The University proposes that this co-pay be made uniform with all other co-pays, one co-pay per 30-day supply or 2 co-pays for a 90-day supply for via mail order.

  A member asked what is the average cost of a pregnancy to the UPlan. After a fair amount of discussion, the general consensus of the committee was that the University should rethink its proposal to change the contraceptive co-pay structure because the cost of unwanted pregnancies to the UPlan is high and far outweighs the projected $220,000 cost savings that would be amassed by charging a single co-pay for a 30-day supply or two co-pays for a 90-day supply via mail order.

V). Ted Butler distributed a handout, *UPlan 2008 Medical Program Rating Summary,* containing background information and the methodology for calculating the UPlanÕs rates. Mr. Butler highlighted the following:

- The UPlan as a whole is rated by overall experience.
- The UniversityÕs actuary, Watson-Wyatt, calculates the UPlanÕs total claims cost projections.
- 2008 is the first year the UPlaln will have rates based on fully matured HealthPartners and Medica claims data from 2006.
- Price differences between individual plan options are determined by:
  - Plan design.
  - Pricing of services (discounts and fee schedules).
  - Plan efficiency.
- The projected total plan cost increase for 2008 is 10.8%.
- Total plan cost for 2008 is projected to be $177.9 million.
- Increases are 7.6% to 9.1% in the narrow network plans.
- Increases are highest for the Choice Regional, Choice National and Insights plans, and range from 11% to 22%.

Mr. Butler turned membersÕ attention to the 2008 medical plan rate sheet. Mr. Chapman noted that the employer contribution to the cost of the higher priced plans is set at the base plan rate; therefore, employees who choose the higher priced plans end up picking up more of the increase than those that choose the base plan.

Next, Mr. Butler distributed the 2008 dental plan rate handout. It is not necessary, noted Mr. Butler, to have an outside actuary help set the dental rates. Instead, the University works with its plan administrators to set the rates.

For 2008, there will be very modest dental rate increases. Mr. Butler noted that the dental rates on this handout assume that the dental cap will be increased to $1,500 in 2008 for those plans that currently have a $1,250 cap. Members reviewed the handout.

VI). Announcements:

- Gavin Watt announced that two new members were appointed to the BAC, Nancy Fulton and Professor Michael OÕReilly. He noted that for travel reasons associated with the bridge collapse, Professor OÕReilly sent his regrets for todayÕs meeting.
- The next BAC meeting is Thursday, September 6th in #238A Morrill Hall noted Mr. Watt. He added that this year the committee will be meeting both in Walter Library and Morrill Hall, and asked members to carefully take note of meeting locations.
- Karen Chapin reported that the retiree medical rates will be available in September and brought to the committee this fall.
- The medical and dental rates shared today are not final until the AWG approves them, which will be later today. The rates will then be shared with bargaining unit representatives tomorrow. Therefore, members were asked to not share these rates with their colleagues until next week.

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

Renee Dempsey
University Senate