Employee Benefits Advisory Committee

Minutes from the August 4, 2010 Meeting
MCC, Room 403A

In attendance:

Christine Arab (Chairperson)
Bill Barfield (APC)
Steve Milczanowski (Faculty)
Robert Peeples (Career)
Belinda Potts (Career)
Jack Spears (Retirees)
Steve Bowers (Resource)
Yvonne Horner (Resource)
Stan Jurewicz (Resource)
Janet Meigs (Minutes Recorder)
Sonya Polke (Resource)
Larry Snell (Resource/APC Alt)
Dawn Swed (Resource)
Elaine Tisdale (Resource)
Chris Mathews (Guest Speaker)

Absent:

Margo Martin (APC)
Steve Kruszewski (Career Alt)
Catherine Rifkin (Faculty Alt)
Ken Whitten (Faculty)
Judy Robbins (Resource)

The meeting commenced at approximately 2:06 p.m. A quorum was confirmed to be present.

Introduction of New Member(s)

No new members were in attendance.

Approval of Minutes (9/15/09)

Motion: Approve the minutes as presented with revisions suggested by Larry Snell via email. The motion was approved by unanimous vote.

Prior to hearing from the subcommittee, an update on the status of negotiations with Minnesota Life was provided. At the annual stewardship review meeting with Minnesota Life it was learned that the period of rate guarantee expires the end of this calendar year. The following points/recommendations were made:

- During negotiations for a new contracted rate guarantee the claims experience was reviewed which showed the College incurred a higher loss experience this last year than in previous years.
- A lower rate was negotiated for the basic active life policy paid by the College.
- The rate for supplemental active life policy(s) will remain the current rate.

- The rate for retiree life insurance will increase $.45 per thousand per month, whether open or closed class.
- The negotiated rates will be guaranteed for three years.

The discussion points regarding the proposed rates included:

- The agreement reached in 2003 regarding rates needs to be reviewed to make sure the proposed rates honor the agreement. This pertains specifically to the closed class retired employees.
- The agreed-to subsidy in the 2003 agreement was $.79; this rate is being consistently applied.
- The question remains as to whether the subsidy is an amount versus an amount per rate.
- The dollar amount of the College subsidy has varied every year. The rate has basically remained constant but the number of participants has diminished.
- Increasing the retired closed class rate by $.45 is a 62% increase.
- The proposed $1.96 per thousand is based on the claims experience for the entire retiree pool. To differentiate between the open and closed class pools would make the premiums even higher.
- There are 49 retired employees in the open class and over 360 in the closed class.
- The employees who retired before 2003 retired with the understanding they would have the same rate for life insurance that employees have. It has been that way for 20 years. The group agreed to go up to $.51 per thousand then to $.79 per thousand. A 62% increase at one time is unreasonable.

As this was presented for information purposes only, the focus returned to the next agenda item.

Subcommittee Report

At the last EBAC meeting in September 2009, it was presented that dependent claims costs were going to be 11% below the 2008 levels. Based on that projection, it was recommended that there be no increase to dependent premiums for 2010. This recommendation was further supported due to no annual salary increase. The claims data turned out to be erroneous. BCBS gave the College bad data in April and May which basically indicated zero costs in both months. This issue was not resolved until October. As it turned out, dependent costs grew 28%.

Discussion points included:

- A clause was included in the BCBS contract to assess a cash penalty for incorrect handling of claims or data.
- At the time the error was not viewed as significant enough to invoke the clause; however, BCBS did not increase the administrative fee.
- BCBS included the dependent claims data in with the single employee data.
- A corrected view of the claims data showed single employees to be up 16.9% and dependents up 28.9%.

At the September EBAC committee, the decision was made to develop a Request for Information (RFI) for an independent health claims auditor/consultant to review the Colleges claims information. The subcommittee reviewed numerous proposals, interviewed four finalists, and selected SEGAL by utilizing a contract with the University of Virginia.

Chris Mathews with SEGAL presented the results of the review. The intent is to look beyond strict financial trends and identify opportunities to channel long term costs.

The full presentation is available upon request. Listed below are some of the key points made.

Introductory Overview

- Data was collected from BCBS as well as from the prescription drug provider.
- The audit included reviewing demographics, cost utilization, disease analysis and will include recommendations or next steps.
- Insurance costs are being driven by how much is being consumed versus by politicians or law suits. The College has unhealthy populations. This is driven somewhat by age, somewhat by chronic illness.
- There is no one coordinating the services of doctors; therefore, employees are rambling through the health care system searching for the best outcome for the problem they may have.
- Health care is geared towards treating sick people versus keeping people healthy.
- Traditional method of controlling costs is by controlling price – offering network discounts, case management, etc. This is pure cost shifting in hopes of flattening the trend line.
- Best way to get at utilization is to understand what's going on in populations.
- We first need to understand the health risk factors that exist within our population.
- It is important to understand that people who are not treatment compliant are costing money unnecessarily.

Review Findings

- Collected claims data from BCBSFL and from the prescription drug manager for a 24 month period of incurred claims. The data was analyzed and bumped against benchmarks.
- The burden of illness (BOI) represents the average amount of healthcare resources expected to be consumed by a population. The College's population has an average BOI of 1.65 indicating the population has a high level of risk factors driving medical costs.
- Claim increase trends are running at 9.2% which is within national standards. However, the focus should be on reducing claims versus accepting the norms.
- The age group 0-5 is the most expensive to the Plan. This could be due to a high incidence of premature babies and/or multiple births.

- The age brackets 16-20, 21-25, 26-30, and 31-35 have significantly lower case mix adjusted costs than the composite. This could mean these members require care they are not getting, that care is being delivered more efficiently and/or at a lower cost, and/or that members are going a good job at self-management.
- About 3% of the claimants were responsible for 44% of the total paid amounts in excess of $25,000. A total of 19 members had large claims that cost the plan more than $75,000 each.
- ER visits for non-trauma services decreased in 2009. Mental Health ER visits costs decreased in 2009 as well; however, they are still significantly higher than benchmarks.

A side discussion regarding case managers ensued with the following points made:

- By acting as an advocate for the patient, a case manager can help monitor the treatment plan and control costs. Case managers are assigned either by request or triggered by claim dollar amount. Some hospitals assign case managers as well.
- A report can be requested from BCBS to signify how many situations were available for and offered case management with the premise being if the employee gets the appropriate care when needed, costs will be reduced.

Review Findings (cont.)

- Hospital admissions are higher than the benchmarks. This is okay but admissions need to be looked at in conjunction with length of stays. Admissions with stays indicate serious situations are bringing the employee to the hospital. What needs to be addressed is hospital admissions that could be avoided (i.e., an asthmatic did not take their meds and had an episode).
- Emergency room usage is below the benchmark. Employees seem to know there are other resources for non-trauma situations.
- There is an unusually high incidence of lab and radiology usage. This is not necessarily negative but needs to be researched.
- There is a high usage of generic drugs which is good news.
- The top 10 chronic conditions are 1) diabetes, 2) hypertension, 3) asthma, 4) end-stage renal disease, 5) coronary artery disease, 6) breast cancer, 7) chronic obstructive pulmonary disorder, 8) cerebrovascular accident (stroke), 9) congestive heart failure and 10) human immunodeficiency virus.
- Top cost drivers are diabetes, chronic obstructive pulmonary disease (COPD), and coronary artery disease (CAD).
- Diabetics are 43% treatment compliant with medical guidelines. Ideal, of course, is 100%. Only 50% are getting tests on regular basis. Most cases of type 2 diabetes are weight related.

A side conversation ensued regarding the benefits of making campuses totally smoke free. Smoking cessation needs to be addressed across all levels of addiction (i.e., nicotine, social, psychological, etc.) in order to be successful.

Review Findings (cont.)

- Only 35 employees have *only* diabetes; approximately 84% of the diabetics in the College have at least one other co-morbid condition which puts them at a great health risk.

Summary Conclusion

- Individuals need to be responsible for their personal health.
- Using incentives/rewards/penalties would assist in the transition to personal responsibility.
- Promote preventive health screening and exams by paying 100% for medically recommended tests and services that support lowering health risk factors would benefit the plan.
- Diabetes is the cost leader. Employees need to be involved in programs that provide education about their condition as many are in denial.
- Employees with chronic conditions need to be educated on the value of being 100% treatment compliant.
- Communications should be multi-dimensional to motivate awareness.
- Promotion of nutrition improvement, weight management, stress management, and tobacco/smoking cessation would help address highly prevalent chronic conditions.
- Before implementing any program, establish objectives and know what is to be measured in terms of improvement.
- Request the information needed from BCBS to monitor trends.

General Discussion

One possibility as to why employees are not getting their screenings is the cost of the copays. While the result of not obtaining preventative treatment may be higher, the initial outlay of cash impacts an employee's decision.

In moving to the PPO plan, several things were learned that first year or 2 and some of them are negative. Here is the real data at a point in time that can help make decisions going forward to help contain costs. The College can't cost shift any more than is being currently done and the 8-12% increases are unattainable. We need to take focused steps with employees to help employees and reduce costs.

A plan design needs to eliminate barriers to wellness efforts. Copays are considered a lower barrier. The plan design needs to focus on what value is desired (i.e., early detection of colon cancer). Companies need to be serious about their focus and committed to making the plan work.

A college-wide diabetic screening day may be a good place to start.

Exercising and weight management are difficult challenges but impact many areas.

While the intent was to stop customizing the plan, the College may now be in a position to customize the plan for the reasons presented. Small changes may need to be made this first year and look at bigger changes in following years.

It is important to identify champions and get the information back to the employees. Employee group representatives should ask for time on their next respective governance agenda. This is about all of us.

The impending legislative changes may be discussed at the next meeting.

The EBAC will meet again on August 19th from 2 p.m. until 4 p.m. in the ATC, room 116.

There being no other business, the meeting adjourned at 4:08 p.m.