Employee Benefits Advisory Committee

Minutes from the February 26, 2007 Meeting
URC, Room 411

In attendance:

Chris Arab (Chairperson)
Ron Allen (APC)
Bill Barfield (APC)
Belinda Palmer (Career)
Mark Peeples (Faculty)
Robert Peeples (Career Alt.)
Karl Schmidt (Career)
Larry Snell (APC Alt/Resource)
Jack Spears (Retirees)
Steve Milczanowski (Faculty Alt.)
Kenneth Whitten (Faculty)
Steve Bowers (Resource)
Yvonne Horner (Resource)
Janet Meigs (Minutes Recorder)
Sonya Polke (Resource)
Judy Robbins (Resource)
Dawn Swed (Resource)
Elaine Tisdale (Resource)
Jo Vosefski (Resource)

Absent:

None

The meeting commenced at approximately 2:03 p.m.

Approval of Minutes (02/08/06)

Motion: Approve the minutes as presented. (Motion made by Belinda Palmer and seconded by Karl Schmidt.) There being no discussion, the motion was approved by unanimous vote.

Health Insurance Subcommittee Report
(Plan Comparisons, Current Employee Plan Participation, Provider Data Reports, Dependent Premium Subsidization Report)

- Five BlueOptions plans were presented by with BCBS and three are being brought by the subcommittee to the EBAC for review.
- A comparison exhibit was provided with columns depicting the current PPO plan, the current HMO plan and three BlueOptions tiered plans.
- Plan 1749 is similar to the HMO plan, Plan 1351 is similar to the PPO plan, and Plan 1551 is a midpoint between the two.
- Plan similarities are not necessarily shown in the side-by-side comparison but offer an overall similarity or what is perceived to be the closest match to the current plans.

- As an explanation of BlueOptions, BCBS places participating hospitals in tiers based on contracted rates for services.
- On the handout, “CYD” stands for Calendar Year Deductible and “Coins” stands for Coinsurance.
- Once in the program employees can choose between hospital tiers. For example, an employee can choose Option 1 for their hospital but use an Option 2 facility for an outpatient process.
- There are a higher number of doctors in the BlueOptions plans than in the current HMO plan.
- Some provisions of the BlueOptions plans are less expensive to employees, some more. For example, the employee will have to pay 10% in coinsurance in certain circumstances where they don’t have to pay it now in HMO. Hospital charges are per admission versus per day.
- The out-of-pocket maximum would be reached in almost every hospital stay.
- The cost to the College of Plan 1749 would be approximately the same as the current HMO plan.
- BCBS advises the cost of the BlueOptions plans would be about the same for the College; coinsurance amounts would incur the greatest change.
- Plan 1351 has a $20 copay for visits to the primary care physician. This would probably result in a savings for PPO participants who pay the full cost until their deductible is met.
- Coinsurance under Plan 1351 is 20% with no deductible.
- Pharmacy benefits are still part of all plans.
- Plan 1551 is being recommended by the subcommittee. This plan will be more expensive for HMO participants and less expensive for PPO participants. Copays for prescriptions will increase slightly as well.
- Plan 1551 was recommended by the subcommittee because the costs to the College are closer to the HMO plan than to the PPO plan.
- The BlueOptions plans allow for a single out-of-pocket maximum (similar to our current plans) which would include both in-network and out-of-network services.
- Plan 1749 would be the most expensive for the College but the least expensive for employees.

Handouts on provider utilization were distributed for presentation/discussion purposes.

- An analysis was done to show how many of the providers currently used by employees are in the BlueOptions network.
- 99 providers were identified as being used by College employees.
- A listing of providers employees currently use was compared to a listing of those offered in the BlueOptions network. As an example, in looking at providers classified as “Family Practice”, 86% of the providers currently being used by employees can be found in the BlueOptions network.
- Some of the providers shown as being currently used by employees may have been out of our current network. (BCBS will be asked to clarify.)
- On the various spreadsheets of the provider analysis, the member could be the employee or a dependent.

- BCBS is continuously attempting to contract with providers not currently in the BlueOptions network so the provider data is continuously evolving.
- The provider data does not show an association to the various tiers.
- All hospitals in the local area are in the BlueOptions network.

General discussion continued.

- The indication from Al Waters and BCBS is that HMO is fading out due to it being too costly for employers.
- Employees will have a direct impact on costs. If they want a higher level facility, they will pay more.
- The subcommittee reported that one goal, based on our consultants' advice, is to try to create a single risk pool (one plan) for cost efficiencies and actuarial integrity.
- A single risk pool eliminates adverse selection.
- Plan 1551 is being recommended at this time as it represents a good compromise between our HMO and PPO plans and it will be cost effective for the College. The subcommittee will provide greater detail at the March 15 meeting.

The discussion turned to a handout on the College's subsidization of dependent health insurance premiums.

- Dependent costs for 2006 were greater than anticipated in the second half of the year.
- It is estimated that claims will go up 12% in 2007. This means the College subsidy will go up as well.
- If the College goes with Plan 1551, it is estimated that claims will go up 6% versus 12%.
- The College is currently subsidizing 54% of dependent premiums. If the subsidy level is dropped to 40%, more premiums will have to be collected.
- HMO participants with dependent coverage will see a stark increase in premiums.
- PPO participants would no longer pay for single coverage and would experience a reduction in premiums.
- In the cases modeled at this time, PPO participants would pay less with a BlueOptions plan.
- In the cases modeled at this time, HMO participants would see an increase of approximately 50% in costs.
- A 50% increase in premiums would still place FCCJ below other employee premiums in the state.
- If the College stays with the current plans, to keep the subsidy level the same would result in an increase in premiums of approximately 24% which would be borne by employees.
- Dollars saved from a reduced subsidy could be applied toward salary increases using the total compensation approach.
- Insurance subsidy was budgeted at $1.1 million this year and we will be going over budget by $.7 million.
- The insurance subsidy cap was set in 2001 by the District Board of Trustees.

- Subsidization dependent premiums benefits one-third of our employees where a pay increase will benefit everyone.
- The College will know in 60 days what funding we will be getting from the State.
- Ten years ago the College modified the premium structure to make insurance affordable for all employees. We might be approaching that point again.
- 178 Career employees have dependent HMO coverage (69 A&P, 125 Faculty).

The suggestion was made and accepted to model the cost and premiums for each of the three BlueOptions plans identified.

Additional discussion points:

- A risk/benefit analysis will be needed to assist in educating employees of the changing plans.
- Communications will have to be in terms of total compensation.
- With the proposed changes, it is anticipated that some employees will drop dependent coverage.

It was suggested and agreed that analysis will be done to show the impact of the proposed changes on individuals. We should model against the worst case scenario and the best case scenario and the middle ground.

The discussion continued.

- The last time we had a dependent premium shock, all career employees were given a $504 plus a percentage increase.
- BlueOptions plans allow for the incorporate of an HSA provision at a later time.
- Employees who need the services of a provider that is not in the BlueOptions network may still obtain those services but at a higher (out-of-network) cost.
- The design of BlueOptions is cost control versus service control.
- The market standard for prescription copays is 15/30/50, but this may be adjusted.
- The last time a major change was planned, it was phased in over two years. This was helpful in terms of the impact to employees. We may want to look at the budget impact of doing this again.

Summary of actions needed:

- A succinct statement is needed related to the goal of having one plan to include what it accomplishes for the College and how it translates into security for employees.
- A cost analysis of Plan 1749 and Plan 1351 needs to be undertaken.
- Modeling needs to be done to show the worst case scenario to the best case scenario.
- The subcommittee will undertake the additional analysis requested and make every effort to provide the detail to the EBAC before the March 15 meeting.

Other Items for Discussion

Group Medicare Product for Retirees:

- Separate pharmacy plan would be a win/win for the College and for retirees.
- The retirees would save in monthly prescription bills.
- The College would realize lower premium costs.
- Supplements are available to save even more money.
- Not all retirees are Medicare eligible; other plans sponsored by the College may be better.
- BCBS is coming out with something in July that might be cheaper for retirees.
- The subcommittee can include Medicare inquiries in discussions with BCBS.

The item will be tabled for a summer review.

There being no further business, the meeting adjourned at approximately 3:51 p.m.