Employee Benefits Advisory Committee

Minutes from the May 17, 2007 Meeting
ATC, Room 116

In attendance:

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

Absent:

Bill Barfield (APC)
Elaine Tisdale (Resource)

The meeting commenced at approximately 2:08 p.m.

<u>Approval of Minutes (4/19/07)</u>

Motion: Approve the minutes as presented. (Motion made by Larry Snell and seconded by Mark Peeples.) There being no discussion, the motion was approved by unanimous vote.

<u>Health Insurance Subcommittee Report</u>

At the last meeting, a request was made to look at salary based premiums for dependent coverage for employees who will transition from HMO dependent coverage to BlueOptions. Several scenarios were explored and the following scenario was presented as being viable:

- Employees with annual salaries < $26k will see a 15% increase over the current HMO dependent rate.

- Employees with annual salaries $26k - $39,999 will see a 25% increase over the current HMO dependent rate.
- Employees with annual salaries $40k - $65,999 will see a 35% increase over the current HMO dependent rate.
- Employees with annual salaries > $66k will pay the full premium for dependent coverage.
- The premiums would be based on annual salaries as of December 31 of each year.
- The groupings were determined with a bell-shaped distribution.
- This presumes all employees will be participating in a single BlueOptions plan scenario.

The following discussion points were made:

- Mathematically, the proposed rates for the lowest salaried employee group represents 10% of their gross salary. The proposed rates for the highest salaried employee group represents 5% of their gross salary.
- Retirees would be paying the full dependent rate.
- While more groups could be identified, it would be difficult to administer.
- Year-end salaries would be impacted by any increases (i.e., annual increase, one-step increase, etc.).
- A $24 annual increase could move an employee from one premium group into another.

A third option was presented which would allow for a two-year migration to a single plan. Specific points included:

- 2008 - Employees currently with HMO dependent coverage would see an increase in premiums but would remain with the HMO BlueCare plan.
- 2008 - Employees currently with PPO coverage would move to the BlueOptions plan and all participants would see a rate increase to include employee only coverage ($50 increasing to $75 per month).
- 2009 – Employees with HMO coverage would be moved to the BlueOptions plan joining those already there (former PPO plan participants) with a yet to be determined premium.
- By going with this option, the College would not realize the anticipated 6% savings.

The discussion continued with the following points made:

- The overall cost would be the same for any of the three options on the table (A – Close HMO and move everyone to the BlueOptions plan; B – Salary based dependent coverage premiums; C – Two-year migration to BlueOptions).
- By going to a BlueOptions plan, the College will realize a 6% savings over the current HMO plan.
- If the current HMO plan were to remain, even higher premiums for dependent coverage would need to be assessed.

Chris Arab summarized all currently presented options for consideration:

- Options A, B and C as referenced above.
- Everyone moving to HMO (no case data available)
- Establishing a single risk pool with a single premium structure (most beneficial to current PPO participants)
- Pay for health insurance only for employees (market research shows other community colleges going this route)
- Join the Florida consortium.

The discussion continued with the following comments made:

- The data indicates that HMO remains solid in Florida and an HMO-only structure could be possible.
- With an HMO-only structure, the College would not realize the anticipated 6% savings by going to the BlueOptions plan.
- The 6% savings is realized through the negotiated prices within the BlueOptions structure as well as through the centralization of lab work.
- The premium structure of the BlueOptions plan is consumer driven and provides for more individual choices.
- Under the BlueOptions plan, employees with dependent coverage will be paying higher premiums with a higher out-of-pocket maximum.

The Committee was reminded of the motion being acted upon: <u>Examine other BCBS options to replace the current HMO/PPO offering</u>.

A listing of the physicians currently in the BCBS BlueOptions plan was distributed.

The discussion continued with the following comments made:

- A quick review of the physician listing indicated no Mayo physicians so while the Mayo facility is one of the tier options, the physicians would be considered out-of-network.
- Out-of-network physicians can balance-bill for services rendered.
- It is difficult to refer to the BlueOptions plan as an enhanced PPO plan when not all of the PPO physicians are under contract.

The subcommittee was charged with finding out about the inclusion of Mayo physicians in the BlueOptions plan.

After a brief recess, the discussion returned to the options presented earlier.

- There is still a great concern about the increase in dependent premiums for HMO participating employees in lower pay categories.

- Supplementing the lower paid employees more than other employees results in an inequity of benefits.
- Tiering of the premium amounts can be done in any way feasible as long as the result is revenue neutral.
- There is concern about the administration of a tiered premium structure for both Payroll and Benefits.

Returning to the subcommittee's presentation, the following points were reiterated.

- If the College keeps the current HMO plan, the cost to the College increases.
- If the College's costs increase, the costs will need to be passed on to the employees.
- Whatever option is selected has to fall within the defined budget parameters.

Additional comments included:

- Employees have never had to manage their own premiums with the exception of the savvy users of the PPO product.
- The College cannot continue to absorb double digit increases.
- A single risk pool provides better cost containments for the College.
- Changes need to be made and the BlueOptions plan appears to be a viable choice.
- The Duval County Public Schools (DCPS) tiered not only their hospitals but also their services. However, almost all DCPS employees chose the lower cost option which includes lower prescription copays.

The question was asked as to whether the Committee should look at all benefit offerings, not just health insurance, to help control costs. Discussion points included:

- Vision costs next to nothing and would not result in great savings.
- Both dental and vision insurance can be affordably obtained from other sources.
- Negotiated rates through the College are usually better than individual rates.
- Giving up dental and vision would save the College approximately $500,000.

General conversation continued with the following points made.

- The anticipated 6% savings will only be realized the first year then the College will be faced with 10-12% increases once again.
- The additional costs will be shifted to employees as their share of the increase percentage will be greater.
- As 75% of employees use PPO dental, going to one plan would be asking the College to give up the lower option.
- The budget goes to the June Board and the dollar figure will be set at that time.

Chris Arab reminded the group that what needed to be decided today is the "shape" of the changes as the details do not need to be decided until October. That way the education of employees can begin.

A request was made to the sub-committee to rework Option B looking at a logical break in salaries where the gap between the next step impacts the fewest number of employees.

Informal discussions with employees need to begin but everyone needs to be on the same page. Possible discussion points include:

- We are moving to a single health offering opportunity.
- The plan under consideration is a hybrid option – it can be made to look like an HMO or a PPO.
- Differences between the current HMO and PPO plans can be reviewed.
- The group is not ready to talk about premiums.
- Moving to a BlueOptions plan will be less expensive as there are lower negotiated costs by BCBS.
- The cost of health insurance is running rampant nationally and the College is not immune.
- We have to meet our budget.
- The College is trying to maximize every dollar by getting the highest value for our dollar. We want the most for our dollar.
- By getting one risk pool, one unit, we get a better value and have a self insurance program that is actuarily sound.

The Committee was charged with discussing the offerings with the employees to raise the awareness level. Include in the conversation that there is a greater need for employees to make decisions/choices which helps with cost containment.

To help with the discussion, all were asked to provide "talking points" to Steve Bowers who would incorporate them into the presentation material of April 19. After review by Chris Arab, the information could then be used to help educate employees.

Summary points of the meeting included:

- Option C is off the table.
- The Committee responded slightly more favorably to Option B than to Option A.
- Option B can be tweaked but the general parameter is there.
- The College is currently subsidizing dependent premiums at a $1.6M level and needs to get it down to a $1M level over the next 2-3 years. This may need to be included in the talking points.

There being no further business, the meeting adjourned at 3:59 p.m. The next meeting will be scheduled for after the June Board meeting.