Date: August 19, 2014
Time: 3:00 p.m.
Place: HR Learning & Development Center

Members
Mr. Steve Simmons, Chair Financial Affairs Present
Dr. Lanier S. Cauley Mechanical Engineering Present
Ms. Janice Collins Radiology - UMC Present
Ms. Annita Dailey Medical Surgical 5th – UMC Absent
Mr. Charles Dunnam Maintenance Department Absent
Dr. Julie Estis President, Faculty Senate Present
Ms. Cathy Faison Admissions - CWH Absent
Ms. Amy Fleet Marketing & E-Commerce Absent
Dr. Susan Gordon-Hickey Chair, Faculty Senate Fringe Benefits Committee Present
Mr. Ronnie Hodges Pharmacy - CWH Present
Dr. David Johnson Academic Affairs Present
Mr. Andy Lightbourne Computer Services Center Present
Dr. Vaughn Millner Continuing Education Present
Mr. John Pannelli COM Business Office Present
Ms. Kelly Peters Business Office Present
Dr. Victoria Rivizzigno Arts & Sciences Absent
Ms. Barbara Shirvanian Student Affairs Present
Dr. John Smith Student Affairs/Special Asst. to the President Present
Dr. J. Allan Tucker Pathology - UMC Present

Others Present
Mr. Gerald Gattis, Director, Human Resources, Benefits, Employee Relations
Ms. Tina Stalmach, Associate HR Manager, Employee Benefits
Ms. Pam Henderson, Assistant Vice President, Human Resources
Mr. John Lowden, Blue Cross Blue Shield of Alabama
Mr. Ed Kahalley, Jr., Benefits Consultant, Secretary to the Committee
Ms. Allison Kahalley, Benefits Consultant

Call to Order & Meeting Minutes

Mr. Simmons called the meeting to order and asked for approval of the April 22, 2014, meeting minutes. A motion was made, seconded, and the vote unanimous to dispense with the reading of the meeting minutes and approve same as prepared by the Secretary.

Mr. Simmons welcomed Mr. John Lowden, with Blue Cross Blue Shield of Alabama, to address the Committee on new Blue Cross Blue Shield (BCBS) programs and enhancements.
BCBS 2014 Programs & Enhancements:

Mr. Lowden distributed a report to the Committee, “2014 Programs & Enhancements” that describes improvements to existing BCBS programs and new programs. He explained that BCBS is approaching managed care in a new way which is “member centric,” meaning a member’s specific health care needs will be evaluated when communicating with BCBS. Additionally, under this new approach, BCBS managed care will be proactive, instead of reactive, and more interactive with the member. The program brings value to the University and the member by creating a superior member experience, positively impacting member health. Members should expect to begin experiencing the new program in early 2015. Some enhancements are already in place, such as improvements to the BCBS web site and the BCBS mobile phone application.

Mr. Lowden stated that the new program will allow for assessment of the individual’s health risk which can, for the high risk individual, result in a nurse advocate being assigned to assist the individual.

Mr. Lowden stated that BCBS is partnering with New Directions for behavioral health services. Members will see no change in services other than positive improvements, such as 24/7 customer service and enhanced care transition upon discharge from a facility and follow-up planning. BCBS also offers the group the option to purchase a full service EAP program.

Mr. Lowden stated that there would be new digital communication using web sites and mobile phone applications. BCBS is also offering a “telehealth” product provided by Teledoc. This service provides physician consultation by phone or video. The product is offered at the cost charged by Teledoc and groups typically break even in cost at 5-6% utilization.

Mr. Lowden completed his presentation, thanked the Committee and left the meeting.

Annual Valuation:

Mr. Simmons stated that the annual valuation report had been submitted and asked Mr. Kahalley to review that report with the Committee.

Mr. Kahalley distributed a summary of the valuation which is a review of the USA Health & Dental Plan (the Plan) along with a projection of future cost. His review started with an overview of the Plan stating that it is an excellent benefit plan with a low monthly employee contribution. In addition to below average employee cost sharing, the deductible and copay amounts are low requiring only an average out of pocket medical expense of 11% for the employee.

The USA Health & Dental Plan is unique because it offers the USA provider network within the BCBS provider network, resulting in value to both the members and the University Health System. This significantly reduces the copay for the employee when using a USA Health System provider and dollars spent in the system benefit the University.
The Plan is also unique in that its retiree health insurance is transferred to the Public Education Employees’ Health Insurance Plan (PEEHIP) with a contribution made by the University. The University provides a subsidy of $370 for some 1,870 retirees or about $8.3 million per year. The University pays 100% of the subsidy which saves the employee about $40 per month if the University applied the 25% cost sharing policy to that expense.

He reviewed last year’s projected cost to actual experience for the first five months of this year and noted that both the BCBS and valuation projections were within a 5% margin of the actual cost.

He reviewed the BCBS estimate of health and dental costs for 2015. The BCBS estimate is adjusted for other expenses, including new ACA taxes and fees, and costs specific to the University, such as the Employee Assistance Program and flu shots. The projected cost also includes the Experience Stabilization Reserve from a low of 15% to a high of 25% of the projected benefit cost. The current reserve was found to be adequate at 15% and had no impact on funding for the coming year. The BCBS projected 2015 cost is $45,922,088. The BCBS projection reflects an increase of $1,254,512 compared to the current funding rates. The increase of $1.2 million is funded through an increase in both the employer and employee cost sharing, with $908,336 allocated to the employer and $346,176 to the employee.

Mr. Simmons stated that he is often asked by employees how the single and family employee rates are determined. Mr. Kahalley explained that the rates are based on utilization, but the employer determines how it wants to subsidize the employee contribution between single and family. Traditionally, the employer pays a much higher percent of the single employee rate which is the case with the University.

Mr. Kahalley directed the Committee to page 2 of the valuation report for the suggested 2015 employee rate increases of $3 for single and $10 for family coverage under both the Base and Standard Plans. The benefits provided under the Base and Standard plans are not significantly different with both offering excellent member coverage.

He noted that the USA HealthCare Management, LLC has a participation agreement with the USA Health & Dental Plan.

Mr. Kahalley reviewed the rate history for the Base and Standard Plans from 2013 through 2015. He then moved to the exhibits which address population, cost by age and comparative costs by major line of coverage. The prescription drug benefit detail was reviewed and the dental benefit utilization and cost was reviewed in the last exhibit.

Mr. Kahalley explained that the cost of new medical treatments and new technology combined with the ACA’s removal of the lifetime maximum will cause an increase in the trend rate. He suggested that the Plan would see some significant increase in cost for the 2016 Plan year. He stated that the employee cost-sharing increase for 2015 was very favorable at only $3 single and $10 family.

Mr. Simmons noted that the Plan has not skipped necessary annual increases, thereby maintaining a steady level of employee rates with no major premium increases.
Mr. Simmons also stated that he has experienced the idea among the employees that benefits under the Plan have decreased, but that this is not correct. Other Committee members commented that often an employee’s belief that benefits have decreased is a misunderstanding of the plan of benefits, such as the difference in co-pay amounts under the Base and Standard plans. Mr. Simmons asked the Committee members to spread the word to employees that there have been no benefit reductions.

The Committee members also inquired about the Plan’s coverage for travel by ambulance. Mr. Kahalley explained that the Plan covers ambulance service under major medical paying 80% after the $400 deductible up to the out-of-pocket maximum. However, the ambulance services do not contract with BCBS meaning that there is no network provider and no discount. The result is that BCBS will only pay 80% of what it determines to be the “allowed amount” instead of the actual billed charge by the ambulance service which remains the responsibility of the member.

Mr. Kahalley again stated that the USA Health & Dental Plan has excellent benefits coupled with a low employee cost-share.

The Committee members agreed that the suggested rate increases for 2015 were less than what they had expected. Mr. Kahalley cautioned the Committee that 2015 may be the last year in which the Plan is able to avoid changes to benefits, because of the anticipated increasing trend for 2016 and future years. The Committee could be faced with both necessary benefit changes and cost-sharing increases in 2016.

A Committee member asked for clarification of the employee cost-sharing percentages for the Base and Standard plans. Mr. Kahalley explained that the 25% (Base) and 30% (Standard) employee cost-sharing percentages are in aggregate and not specific to the single and family rates. The employer determines the distribution of the subsidy it provides and the University pays more toward the cost of single coverage than family coverage.

Dr. Cauley mentioned and Mr. Simmons noted that Committee members should share with employees that the University is also increasing its cost-sharing rates for 2015.

Mr. Kahalley finished his review and thanked the Committee for the opportunity to serve.

A motion was made, seconded and the vote unanimous approving the recommended funding rates and employee cost sharing rate increase of $3 for single and $10 for family coverage for both the Base and Standard Plan of benefits.

Mr. Simmons thanked the Committee for their efforts and stated that the recommendation would be presented to the President for final action.
Request for Proposal for Group Life & Disability Coverage:

Ms. Stalmach reported that a Request for Proposal for group life and disability coverage was released on the Alabama state web site and the University web site with a submission deadline of August 20, 2014. The request and review is done to test the market and ensure that the University is purchasing the best products at the lowest cost. Mr. Kahalley will submit an analysis of the responses to Human Resources by August 25, 2014, with the selection to be made by September 8, 2014.

Adjourn:

There being no other business to come before the Fringe Benefits Committee, the meeting was adjourned at 4:50 p.m.