

University of South Alabama Fringe Benefits Committee – Meeting Minutes

Date September 15, 2009
Time 3:00 p.m.
Place HR Learning & Development Center

Members

Mr. M. Wayne Davis	Chairman - Financial Affairs	Present
Dr. Lanier S. Cauley	Mechanical Engineering	Present
Dr. Thomas Chilton	Associate Dean of Education	Present
Ms. Elnora Davis	Central Supply	Absent
Mr. Pat Downing	USA Brookley Center	Present
Mr. Charles Dunnam	Maintenance Dept	Present
Dr. Julie Estis	Chair, Faculty/Senate Fringe Benefits Committee	Absent
Ms. Amy Fleet	Marketing	Absent
Dr. David Johnson	Academic Affairs	Present
Mr. David Knight	Supply, Processing & Distribution	Absent
Mr. Andy Lightbourn	Computer Center	Present
Mr. John Pannelli	COM Business Office	Present
Ms. Kelly Peters	Business Office	Present
Dr. Victoria Rivizzigno	Earth Sciences	Present
Dr. Robert Shearer	Office of the President	Present
Ms. Barbara Shirvanian	Dean of Students	Present
Dr. Stephen Teplick	College of Medicine	Absent
Dr. David Turnipseed	Chair of Faculty/Senate	Present
Dr. J. Allan Tucker	College of Medicine	Present
Ms. Karen Watts	Nursing-Quality Management	Present
Ms. Carolyn Williams	College of Medicine	Present

Others Present

Ms. Pamela Henderson, Assistant Vice President Human Resources
Mr. Gerald Gattis, Associate Director of Human Resources
Mr. David Cooper, BCBS Claims Administrator
Mr. Danny Rickert, HSF
Mr. Ed Kahalley, Jr., Benefits Consultant, Secretary to the Committee

Call to Order & Meeting Minutes

Chairman Wayne Davis called the meeting to order and asked for approval of the August 11, 2009 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.

Danny Rickert

Mr. Rickert spoke about the flu vaccination program stating that about 1,400 units would be available for University employees and dependents covered under the USA Health & Dental Plan. He stated that information and the schedule would be sent to employees in several different communications. After the seasonal flu vaccine the H1N1 vaccine will be available. He stated that information and a schedule for that vaccine would be sent to all concerned.

He stated that since the opening of the Urgent Care Clinic some 1,600 patients had been seen with 1,100 of those being University employees. The Clinic is performing very well, and 80% of the referrals for a higher level of care are going to USA Health System providers. The Clinic will be the primary distribution center for the flu vaccine.

Experience Report

The experience report complete for the eight-month period ended 8/31/2009 was distributed. Mr. Gattis reviewed the report. The cost of benefits had increased by 16% or \$2,244,644 and the deficit increased to \$1,873,166. The increase in cost was due in part to an increase in population, claims in excess of \$50,000 which accounted for 15% of the total cost, and the benefit changes effective at the start of the current year. The population had increased by 3.1% from 8,779 to 9,051. Some of the population increase may be due to individuals losing coverage under another health plan and joining to this plan with no pre-existing condition waiting period. The reserve had decreased to \$11,066,453. Mobile Infirmary ranked second by volume of benefits paid. Some hospitals are waiving our copay if the patient will change to a doctor affiliated with that hospital and use their facility. It was reported that some hospitals game the system by waiving the deductible and copay. The cost of prescriptions was up 9% this year and the total cost may come in at \$6.7 million by year end. Nexium, a gastrointestinal agent, was the top prescription by volume of benefits paid. The generic utilization rate was an impressive 62%. The history on the last page of the report showed that the funding rates and the employee cost sharing had not increased since 1/1/2005 except for the addition of the dental benefit and some other improvements made 1/1/2006. There had been no increase, except for new benefits, over the last 5 years.

David Cooper – Account Executive – Blue Cross Blue Shield (BCBS)

Mr. Cooper distributed a report including the annual renewal, performance report, group statistical analysis, statistical comparison report (Insight), and a health management report. He stated that these reports contain a great deal of information on utilization and cost with benchmarks and norms for comparison. He stated that the cost of benefits was up for the current year but still below the benchmark. Cost was being driven in part by 100 new contracts from July of 2008 to 2009. The renewal this year included a \$2 increase in the health administrative fee after a three-year rate hold and the dental rate remained at \$3. He reviewed the renewal report and stated that BCBS projected the annual total cost at \$37,695,980 for the 2010 benefit year.

The Consultant noted that the cost projected by BCBS would exceed revenue by \$7.8 million.

Moving to utilization and cost data he stated that the Plan was performing well compared to the benchmarks. The cost increase was largely due to an increase in hospital outpatient, up 9.6%. The outpatient use was heaviest for maternity, surgery and chemotherapy.

Although drug claims per 1,000 were flat at 0.13%, the benefit paid was up 7.4% due to new generics which had a higher cost. Generic utilization was very good at 66% right at the maximum level. The number one drug was Nexium with a benefit paid of \$472,565. He recommended a program to encourage use of the generic drug Omeprazole which would save the Plan and the members a good deal of money.

He stated in conclusion that BCBS had the following four recommendations to help with cost: initiate the Nexium replacement program; incent prenatal wellness; incent biometrics to continue the wellness program and incent preventive screenings. He stated that overall the Plan was doing well compared to other BCBS plans as a whole and compared to the peer group of educational institutions.

Consultant Report

Mr. Kahalley stated that the annual valuation had been completed along with the projection of cost for the 2010 benefit year. He distributed the 2009 Annual Review and the 2010 Cost Projection report. He stated that the year-to-date deficit of \$1,873,166 annualized came to \$2,809,749. Starting with that deficit and projecting future cost will indicate a substantial increase for the coming year. BCBS, in its renewal analysis for the previous year, had projected the cost within 1.9% of the actual year-to-date cost. BCBS projected the coming year cost at \$37,695,980. That cost, adjusted for costs and credits not included in the BCBS projection, came to \$37,471,097, which will exceed projected revenue by \$7,594,649.

The funding rates to cover that projected cost would be \$420 for single compared to the current \$364, an increase of 15% and \$996 for family compared to \$765, an increase of 30%. The report indicated the breakdown of cost for employer and employee with the total increase being \$7,604,016. He stated that it would be difficult to fund an increase of that size at the current time.

He stated that it had been suggested that the deficit be divided three ways. It would be distributed between benefit changes, a reduction in the reserve and an increase in the funding rates.

The amount allocated from the reserve would be \$2,534,672, the increase in the funding rates would produce \$2,664,344 and the benefit changes \$2,405,000.

He stated that there were nine recommended benefit changes and reviewed those changes which were listed on page 3 of the report. He also noted that there would be a smoking cessation program offered beginning in 2010 and would carry a discount on the premium starting 1/1/2011.

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Mr. Davis stated that all of these recommendations were up for review and that he did not expect a vote that day. He stated that the members should give consideration to all of the suggestions and the committee would soon meet again for further review and discussion.

Mr. Kahalley stated that the funding rates would be reduced based on the distribution of the increase. The employee cost sharing would be reduced from an increase of \$10 to \$7 for single and from \$68 to \$20 for family coverage. The funding rates would be \$398 for single compared to the current \$364, an increase of 9%, and \$832 for family compared to \$765, an increase of 8.7%. The increased rates would generate \$2,672,376.

Mr. Kahalley stated that as the Chairman explained the allocation is approximately 75%/25%. He stated that several years ago PEEHIP required the University to begin contributing towards the cost of University retirees covered by that Plan. That cost is about \$5 million annually. That cost when added to the employer contribution to the USA Health & Dental Plan well exceeds the 75% target.

A member asked the Chairman to explain the policy concerning the USA Health & Dental Plan for the new members. Mr. Davis stated that in 1990 there was a serious problem concerning the health plan and the decision was made to self-fund benefits. The University wanted to reduce costs and provide an adequate benefit level at a reasonable cost to the employees. Later it was decided that there should be a reserve equal to 25% of the annual projected cost. It was agreed that the allocation of cost should be about 75% paid by the University with 25% paid by the employee. The Plan has fared well over almost 20 years.

Mr. Kahalley stated that part of the problem was that the Plan had gone 5 years without an increase in the funding rates except to buy benefits. He stated that a 6% annual increase would have produced a 30% increase in funding and avoided the current problem.

The Consultant stated that at the end of July the reserve was \$11,368,649 of which \$5,403,246 was obligated. The required 25% is \$8,639,433 still leaves a margin of about 30%.

The Chairman stated that this is a very serious issue and encouraged the members to review the information for our next meeting.

Adjourn:

There being no other business to come before the Fringe Benefits Committee the meeting was adjourned at 4:35 PM.