

University of South Alabama

Fringe Benefits Committee – Meeting Minutes

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Date: September 7, 2010
Time: 3:00 p.m.
Place: HR Learning & Development Center

Members

Mr. M. Wayne Davis	Chairman - Financial Affairs	Present
Dr. Elizabeth Adams	Chair, Faculty Senate Fringe Benefits Committee	Present
Dr. Lanier S. Cauley	Mechanical Engineering	Present
Dr. Thomas Chilton	Associate Dean of Education	Present
Dr. Jim Connors	Chair, Faculty Senate	Present
Mr. Charles Dunnam	Maintenance Dept.	Present
Ms. Amy Fleet	Marketing	Absent
Dr. David Johnson	Academic Affairs	Present
Mr. David Knight	Supply, Processing & Distribution	Absent
Mr. Andy Lightbourne	Computer Center	Present
Dr. Vaughn Millner	Continuing Education	Present
Mr. John Pannelli	COM Business Office	Absent
Ms. Kelly Peters	Business Office	Absent
Dr. Victoria Rivizzigno	Arts & Sciences	Present
Ms. Barbara Shirvanian	Student Affairs	Present
Dr. John Smith	VP Student Affairs	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
Ms. Tina Stalmach, Assistant HR Manager, Employee Benefits
Mr. Ed Kahalley, Jr., Benefits Consultant, Secretary to the Committee
Mr. David Cooper, Blue Cross Blue Shield

Call to Order & Meeting Minutes

Chairman Wayne Davis called the meeting to order and asked for approval of the July 27, 2010, 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. Davis introduced Dr. John Smith, Vice President for Student Affairs, replacing Dr. Bob Shearer, and Dr. Vaughn Millner, Chair, Adult Interdisciplinary Studies, replacing Mr. Pat Downing.

Blue Cross Blue Shield (BCBS) Renewal Analysis

Mr. David Cooper, the BCBS Account Executive for our plan, distributed the annual renewal analysis. He stated that the report includes detailed information on utilization and benefit cost by all lines of medical services. The “Insight” section of the report provides utilization and cost data with historical comparisons. There is a section on “Health Management” that reviews the wellness and preventive benefits and programs offered within the Plan.

The cost per member per year is up by 6% with domestic services up 1% and non-domestic up 8%. The annual cost per employee is \$7,055 compared to \$6,608 last year. The cost compares very favorably with other BCBS groups or its “book-of-business.”

The statistical reporting indicates that the University has a high instance of diabetes, cancer and heart disease. There are also a high number of pre-term births with complications. The University may want to consider some incentives for managing these areas of cost.

He stated that the Plan has a very good benefits schedule as evidenced by the fact that the Plan pays 88% of the allowed amount leaving the employee to pay only 12%.

The Plan’s pharmacy benefit could be made more cost effective through the use of step-therapy. This can be explored with the new pharmacy benefit manager, Prime Therapeutics. He suggested a meeting with the Prime Therapeutics representative.

The Plan’s preventive benefits are underutilized. He suggested more communication to the members about the preventive benefits and wellness programs offered including the Baby Yourself program. He stated that BCBS sends a post card to members for preventive services but this might be highlighted by the Plan in its communications.

Mr. Cooper stated that the renewal indicates a \$1 increase in the health administration fee from \$28 to \$29 with the dental remaining at \$3. He stated that the renewal analysis uses an 8.4% trend for health and 5.5% for dental.

Mr. Cooper concluded his review and responded to questions.

Experience Report

The Benefit Consultant distributed the July 2010 Experience Report. He stated that the seven month period shows a positive balance of \$149,340 compared to a \$(1,570,549) this time last year and the reserve stands at \$8,505,888. The University’s contribution covers 74% of total cost compared to the target of 75%. The Plan is doing better than expected. The benefit changes have reduced trend with a reduction in the cost of physician, major medical, pharmacy and dental benefit costs. The Nexium replacement program has reduced the cost of that prescription by 25% compared to this time last year for a savings of about \$72,000. The Plan has spent \$210,804 for that prescription drug during the seven month period. The Consultant completed his review of the experience.

A member stated that the Plan was actually doing very well considering that the cost was projected to have a deficit of about \$2 million this year. He stated that last year the projected cost increase resulted in a benefit reduction, a contribution increase, and a deficit for the reserve.

The Consultant stated that this was correct. The current year-to-date experience was very favorable in that there was no deficit. He stated that the experience would be greater for the latter part of the year and that there might be a deficit at year-end but that it would likely be far less than predicted.

Annual Valuation/Update on Health Care Reform Act

The Consultant distributed a summary of the annual Valuation report and cost projection. He stated that there are two projections of future cost. BCBS provides an estimate of \$37,241,540 and the Valuation or Consultant's estimate of \$34,489,366. The difference between the two is \$2,752,174. It is likely that the actual cost will fall somewhere between these two estimates.

Based on the Valuation estimate and the cost-sharing allocation, the employee contribution would remain the same at \$76 for single and \$252 for family coverage to cover 25% of the expected cost. The University's funding would increase by \$22 for single and \$53 for family coverage to cover 75% of the expected cost; an annual increase of \$1,968,684. The employee contribution will produce revenue of \$8,614,320 and the employer \$25,841,916 for a total of \$34,456,236. The University's contribution would average \$5,917 per employee for the year.

He reviewed the funding scenario using the BCBS estimated cost, which requires an increase in the employee cost-sharing amounts of \$7 single and \$17 for family coverage; an annual increase of \$629,988. The employer cost-sharing increases by \$50 single and \$107 for family; an increase of \$4,120,212.

Tobacco Cessation

Last year, the Fringe Benefits Committee recommended adopting a tobacco cessation program. The program was approved. In May 2010, the USA Health & Dental Plan began offering the BCBS Quit for Life Program at no cost to employees and covered spouses, along with tobacco cessation workshops presented by the EAP Counselor. Effective January 1, 2011, the employee contribution is scheduled to increase by \$25 for both single and family coverage from \$76 to \$101, and from \$252 to \$277. All employees who file a Declaration form with the University's Human Resources Department by November 30, 2010, stating that neither the employee nor spouse use tobacco products will avoid the increase. If no Tobacco Declaration Form is filed or it indicates that the employee or spouse uses tobacco products, the payroll deduction will automatically increase in December 2010 for the January 1, 2011, premium.

Nexium Replacement

The Nexium replacement program has reduced cost from \$283,267 this time last year to \$210,804, a reduction of \$72,463 or 25% for the first seven months. Some large employers have removed Nexium as a covered prescription. Consumer Reports – Best Buy has a whitepaper on proton pump inhibitors which states that Nexium is no more effective than any other PPI except for the liquid form used for children. The report indicates that it should not be a covered expense. It is possible to move Nexium to the next higher copay rather than eliminate coverage entirely, subject to the Fringe Benefits Committee's recommendation and President Moulton's approval.

Blue Cross Blue Shield Renewal

BCBS requests a \$1 increase in the health administration rate from \$28 to \$29 with the dental fee remaining at \$3. The Flexible Spending Account fee remains at \$4. The Consultant stated that the fees are very reasonable and recommended renewal.

COBRA Rates

COBRA rates are set each year at the projected cost plus 2%. Using the BCBS underwriter's projection of cost, the rates would be \$445 single and \$1,006 for family coverage.

Patient Protection and Affordable Care Act (PPACA)

The Consultant distributed a report on compliance issues under PPACA. He stated that the USA Health & Dental Plan's effective date for PPACA compliance would be January 1, 2011. He explained the compliance requirements for that date and estimated that the cost impact to our plan should be between 1% and 1.5%. Changes necessary for the Plan's first year of compliance should not be extensive. He stated that the lifetime maximum will be eliminated, coverage expanded for a dependent to age 26 and no pre-existing condition provision for dependents under the age of 19. Additional information will be provided as regulatory clarifications are issued.

New Business

Mr. Davis stated that the experience this year was very favorable. He stated that it appears that a premium increase may not be required for 1/1/2011, except for the assessment of cost resulting from tobacco use which is estimated at \$25 per employee per month which will be waived for those (including the spouse) who do not use tobacco.

A member recommended that Nexium be moved to the higher copay or from \$30 to \$50 effective 1/1/2011 to further encourage the use of generics or over-the-counter drugs.

A motion was made, seconded and the vote unanimous to move the drug Nexium to the \$50 copay effective 1/1/2011 and eliminate coverage for this drug effective 1/1/2012.

A motion was made, seconded and the vote unanimous to recommend that there be no increase in the employee contribution for the upcoming plan year, except for the tobacco use allocation with the waiver for non-tobacco users.

Flu Vaccines

Mr. Gattis stated that as in the past Flu shots would be provided during the month of October and that employees would be notified of same via email.

Adjourn:

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