

University of South Alabama Fringe Benefits Committee – Meeting Minutes

Date: October 9, 2007
 Time: 2:00 p.m.
 Place: University of South Alabama

Members:

Dr. Lanier S. Cauley	Mechanical Engineering	Present
Dr. Patsy C. Covey	Academic Affairs	Absent
Mr. M. Wayne Davis	Chairman - Financial Affairs	Present
Ms. Elnora Davis	Central Supply	Present
Mr. Pat Downing	USA Brookley Center	Present
Mr. Edward Felts	Computer Services Center	Present
Ms. Amy Fleet	Marketing	Absent
Dr. Jean Irion	Chair, Faculty & Senate FBC	Absent
Mr. David Knight	Supply, Processing & Distribution	Absent
Ms. Bessie Lee	Pediatrics	Absent
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	Absent
Mr. Joseph M. Smith	Maintenance	Present
Ms. Barbara Shirvanian	Dean of Students	Absent
Dr. Vicki Tate	Chair of Faculty Senate	Present
Dr. Stephen Teplick	College of Medicine	Present
Dr. Allan Tucker	College of Medicine	Present
Ms. Carolyn Williams	College of Medicine	Present

Others Present:

Ms. Pamela Henderson, Director of Human Resources
 Mr. Gerald Gattis, Associate Director of Human Resources
 Mr. Ed Kahalley, Jr., Benefits Consultant and Secretary to the Committee

Call to Order & Meeting Minutes:

Chairman Wayne Davis called the meeting to order. The Chairman distributed and asked for approval of the 8/7/2007 meeting minutes.

Ms. Elnora Davis asked that the minutes be corrected to indicate her presence.

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 with the noted change.

Annual Valuation as of 8/31/2007

Mr. Kahalley stated that the annual valuation had been prepared and presented. He distributed a summary of the valuation and projection of cost for the 2008 benefit year.

He stated that the Plan had been growing at a rate of approximately 7% over the last nine years. He stated that the valuation's projection of cost used a 7% trend for health and a 4% trend for dental. The projected cost for 2008 is \$29,873,243 as compared to projected revenue of \$27,231,408. The projected deficit is \$2,641,835. The interest earned on the reserve and the USA Health System incentive credit will reduce that deficit to about \$1.3 million. The adjusted cost is 5% greater than expected revenue based on the current funding rates. The current funding rates are \$364 single and \$765 for family coverage with the employee cost sharing at \$67 single and \$230 for family coverage. The last change to the employee cost sharing was on 1/1/2006, when the dental benefits were added to the Plan.

He stated that Blue Cross and Blue Shield provides a projection of cost which is also used in establishing future funding rates. Blue Cross and Blue Shield projects the 2008 cost at \$31,390,329, significantly greater than the valuation's projection. It was determined that BCBS included a one-time non-recurring cost in its projection accounting for most of the difference. This was due to a retroactive preferred outpatient facility payment which resulted from a contractual and billing problem.

It has been determined that the valuation projection is the more accurate of the two.

Using the valuation projection and the formula adopted for establishing funding rates it has been determined that there is a need for adjustment. The reserve amount is in excess of the target but current revenue is not sufficient to fund the projected cost.

Mr. Kahalley stated that the University made a special deposit to the USA Health Plan in September 2001. That deposit of \$5,586,916 has not been credited to the general fund. He suggested that the shortfall be taken from that amount reducing it from \$5,586,916 to \$4,245,081. This will allow the current funding rates to continue with no adjustment for both the University and the employees.

Mr. Kahalley noted that the funding rates do not include the University's contribution towards the cost of retiree coverage. He stated that the University has about 1,000 covered retirees in the PEEHIP program and funds about \$5 million annually in support of PEEHIP retiree benefits.

Mr. Kahalley proceeded to a review of the financial and utilization data for the experience period. He stated that the Plan was performing well and that the increase in cost was distributed across all areas and that there was no one problem area that needed attention.

The Chairman asked if the outpatient hospital utilization and cost was a problem area.

Mr. Kahalley stated that the utilization was high compared to the norm but that it had always been higher than the norm. He suggested that this was not unusual, given that many of the University employees work for the two hospitals owned by the University and had access to the outpatient department for routine services.

The Chairman asked how this could be moderated.

Mr. Kahalley suggested that an increase in the copay amount for outpatient services at University hospitals would be the best way to moderate utilization.

There followed a general discussion of the pros and cons of using a higher deductible or copay for outpatient hospital services.

The Chairman asked if it was wise to forgo an increase in the funding rates given the projected deficit.

Mr. Kahalley stated that it was, in his opinion, a wise decision at this time. He stated that it could lead to a larger increase in the future, but the reserve is excellent and there remains more than \$4 million of the special deposit to cushion any future increase. He stated that an increase will be required for the 2009 Plan year.

A member stated that it should be widely publicized that an increase will be needed in 2009. The Committee generally agreed that the employees should be made aware that the adjustment would be coming. It was agreed that it was important to keep the constituents informed.

New Business:

1. The Committee discussed the projected cost and the Consultant's recommendation.

A motion was made, seconded and the vote unanimous to suggest to the President that the funding rates remain the same for the 2008 Plan year with the projected deficit to be funded by a credit against the special deposit.

2. Ms. Pamela Henderson stated that the Human Resources department would soon move to a new location at the USA Technology and Research Park Bldg. III. Training and development will be at that location in an updated facility as well as the Employee Assistance Coordinator. She talked about the advantages of the new location stating that it will greatly improve the HR department's ability to serve the employees. She stated that the move should be complete and the doors open on October 22 and invited all to come by and see the new facility.

Ms. Henderson also spoke about the upcoming open enrollment period and the annual employee benefits fair. The fair is scheduled to be held on November 1 and 2. She stated that flu shots would not be available at the fair but are covered by the USA Health Plan and available at the Health Services clinics and Health Services physicians. She stated that since the flu shot would be covered by the USA Health Plan, it would be available to employees as well as family members covered by the Plan. Mr. Gattis stated that no copay was required if a physician was not seen.

Adjourn:

There being no other business to come before the Fringe Benefits Committee the meeting was adjourned at 4:45 p.m.