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5. **Discussion of Potential Plan Design Changes for FY13**

6. **Revisit HRA / HSAs after data is available on the number of employees on each plan**

7. **Topics for next meeting**

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Attende

1. **Call**
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2. **Brief**

3. **Toba**

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Name
Craig Mead, Chair *
Linda Hall
Lisa Sporleder*
Melodee Monson*
Russ Pressley
Alessandra Vanove
Vacant
Carol Shafford
Maria Russell
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Richard Machida
Elizabeth Williams
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Mike Humphrey, e

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The University health care committees have been informed that because of the significant plan design changes under discussion, I planned to consult with you before final decisions are made. In this memo I am presenting for your consideration, 3 health care plan changes and pharmacy changes to be implemented in FY12, for a total projected cost savings to the health care plan of $7,815,500. Some plan changes for FY12 have associated features that will be implemented or continued during FY13. Beginning on page eight of the memo, I have addressed other plan changes that I am not recommending at this time, or that are recommended further for review or for future implementation.

Please let me know if you endorse these recommendations. I will then proceed accordingly to communicate the decisions to UA's health care committees and begin working toward implementation.

Medical Plan Change Recommendations for FY12

I. Eliminate costly features of the current deluxe plan. Maintain three health care plans (Low, Medium and High), from which employees may choose. Increase deductible and out-of- pocket maximum levels for all plans. Because of the significant savings to the University from implementing these changes, the total amount of employee recovery needed will not change from FY11 to FY12. Therefore, UA will not seek an increase in total employee contributions, although the University will consult with its health care committees prior to establishing employee charges for the plan tiers. The University does not plan to make any additional deductible or out-of-pocket maximum levels for UA health care plans through FY13, although other

Rationale for CHRO's Recommendation: The current deluxe plan does not steer members to network doctors and hospitals by requiring a higher coinsurance on non-network providers. This results in much higher plan costs since non-network providers charge the plan more for these services.

Deductibles and out of pocket maximums need to be increased across the board as they have not kept pace with years of medical inflation. For example, the individual deductible contained in the university's deluxe plan has been in effect at least since early 1970s. Higher deductibles and out-of-pocket maximums for all three plans increase consumerism because members will spend money out of pocket first and will qualify as quickly for 100% coverage by the health care plan.

As a part of the recommendation for the plan changes listed on the attached spreadsheet, the University would implement a health savings account (HSA) or health reimbursement account (HRA) in combination with a qualifying high deductible plan for the Low Tier in FY13. This would be a further step in incenting plan members to make careful use of the health care plan. With the implementation of an account based plan, the University would provide "seed money," to cover some first dollar costs. This deductibles and out-of-pocket maximum amounts for the Low Tier would be increased by the amount determined appropriate for the seed money. University's contribution to employees of the seed money will remain in members' accounts (HSAs or HRAs) such time as the money is used on a first dollar basis to satisfy deductibles, coinsurance and co-pays. Members may carry unused HSA or HRA funds over

C. This plan change permits us not to have to increase the total amount of employee contributions for health care in FY12. A less significant change in the plan's deductibles and out-of-pocket maximums would have required the University to increase all employee charges for FY12. This would have resulted in less take-home pay for all employees, whether or not they have used any medical or pharmacy services. The recommended plan bases increased costs to employees on

dependents have been tobacco free for 12 months or have satisfactorily completed a tobacco cessation program and not resumed tobacco use.

Estimated savings to the health plan budget -- $504,000

3. Conduct a dependent audit.

Explanation: Until this current fiscal year, the university did not require documentation from new employees to verify the eligibility of spouses or dependents whom the employee wished to enroll in UA's health care plan.

In July 2010, UA changed its healthcare plan, instituting a program to check dependents' eligibility documents, e.g. birth certificates and marriage certificates. This review process is currently done by the MAU HR offices. Checking occurs for new hires only,

Estimated savings to the health plan budget -- $500,000, over and above the cost of the audit's cost of between $65,000 and $75,000. In the contract with the vendor, there is a vendor guarantee that if UA does not have a 4% drop of ineligible dependents, they will reduce their fee proportionately for every tenth of a percentage point below 4%. Thus, if UA were to only achieve a 3% ineligible drop rate, a 25% reduction in the fee would occur and UA would receive back approximately $17,000 in fees.

Pharmacy Plan Change Recommendations for FY12:

I. Move certain prescription products to the Tier III copay from Tier II, and require preauthorization before prescriptions for these drugs can be filled.

Input by the Joint Health Care Committee and Staff Health Care Committee:
Both the JHCC and SHCC recommended more research into the claims cost for part-time employees. If the research supports a change, it could be implemented in FY13.

CHRO's Recommendation and Rationale: CHRO recommends reviewing this issue further. Currently, the university employs about 300 part-time, benefits eligible employees, but it is not known how many of these employees are part time due to university's needs and how many have requested to be part time. The university contributes the same amount for health care for part time, so the benefits costs are relative to the salary costs than is the case for a full-time employee. However, it is known whether part-time employees cost more in terms of health care utilization. Rather than a part-time surcharge for benefits, the university may want to limit health care coverage to those employees working 30 or more hours per week. Effective January 1, 2014, Federal law will require employers to provide health care coverage to employees on a full-time basis if they work a minimum of 30 hours per week. Increasing hours needed for health care eligibility would require a modification to University Regulation 04.06.149, "Benefits for Extended Full Time and Part-Time Temporary Employees," as well as changes to health care plan documents.

4. Exclude high risk activities from coverage under UA's health plans.

Explanation: Activities such as sky diving, bungee jumping, operating a motorcycle or plane, scuba diving, hang gliding, rock climbing, parachuting and parasailing could be excluded from coverage.

Input by the Joint Health Care Committee and Staff Health Care Committee: JHCC and the SHCC questioned how this could be administered and what activities sh7(bing,)-6(plane

CHRO's Recommendation and Rationale: This idea should receive further review as the level of support that would serve patients' interests and needs, while still presenting a significant cost saving to the university. This should be considered only for members/covered dependents who prefer to travel to obtain surgeries. A pilot project with eligibility limited to certain surgical procedures would be a sensible way to test this option.

7. Establish an onsite medical clinic in Fairbanks or Anchorage.

Explanation: A medical clinic, staffed with UA-employed MDs or physician assistants and staff, could be located on or close to UAF or UAA to serve university employees and

completing the PWP, believing that such an incentive could more beneficially be used to reward activities that have a greater impact on employee behavior.

CHRO's Recommendation and Rationale: CHRO agrees with this assessment and is in favor of biometrics being measured and entered into a data base that can be forwarded for review by UA's disease management program to assure appropriate follow up and attempted intervention. However, the provision for the $100 award to employees and spouses is currently referenced in collective bargaining agreements, and hence must be changed through negotiations or via a memorandum of understanding with the unions.

9. Require employee participants to complete 5 out of 6 sessions when they enroll in the university's Individual Health Plan (IHP) coaching program, or pay a penalty.

Input by the Joint Health Care Committee and Staff Health Care Committee (JHCC and the SHCC members recognized the value of requiring biometrics for appropriate individual follow up/intervention.

CHRO's Recommendation and Rationale: CHRO supports mandatory gathering, logging and reporting of IHP participants' biometric information to UA's disease management vendor.

A review by Lockton of the aggregate biometric information of IHP participants could also allow UA to more reliably determine whether the IHP program is providing the university an appropriate return on investment. IHPs are personalized coaching services that can directly help individuals to make health and lifestyle changes, but they are expensive to deliver because of the one on one sessions offered. Individuals who are realizing the benefit of the personalized coaching should be willing to participate in the review of its effectiven