

MINUTES
UAF STAFF COUNCIL MEETING #84A
Wednesday, October 16, 1996
Board of Regents' Conference Room - Butrovich

I Ron Pierce called the meeting to order at 9:00 a.m.

MEMBERS PRESENT:	MEMBERS ABSENT:
Banks, P.	Gramling, D.
Barr, K.	Harris, L.
Bender, L.	Jordan, S.
Bergeron, B.	Murphy, L.
Chapman, C.	Pederson, J.
Enochs, K.	Sowell, P.
Fisher, K. (for S. Boatwright)	Thomas, M.
Gal, S.	Wilken, S.
Howald, C.	Wilson, Ci.
Johnson, J.	
Leavy, D.	OTHERS PRESENT:
Magee, P.	Crawford, A.
Matheke, G.	Cushing, N.
Oleson, B.	Danielson, R.
Pierce, R.	Dashiell, J.
Plowman, C.	Downes, I.
Powell, D.	Evans, C.
Ritchie, E.	Greenlee, R.
Scalise, G.	Humphrey, M.
Wilson, Cr.	Kastelic, P.
	Lace, C.
	Mosca, K.
	Mosso, N.
	Olsen, R.
	Underwood, S.

- B. The agenda was adopted as distributed via e-mail.
- C. The minutes to Meeting #84 (October 8, 1996) were approved with the correction of Tom Moyer wishing to address the Council regarding the Governor's budget in December and not Mark Boyer.

II President's Report - R. Pierce

President Pierce asked that when looking at health benefits, administration meet the mission statement in Policy 04.01.01 which states that the University attract, retain, and motive a talented, committed, and diverse workforce. The health benefits plan should serve the needs of the employees and at the same time not be the cause of undo hardship for the University system. The committee to address health benefits should be comprised of representatives from all employees of the University system.

III Presentation/Discussion on Health Benefits - M. Humphrey and P. Kastelic

Mike Humphrey's gave an overview of the University of Alaska benefits. No decision has been made to change the benefits at this time. Goals of the meeting include start discussions about the University benefit programs, address future options and directions for the University benefits program, review basic elements of a flexible benefit program, and an update on the progress that the State of Alaska has made with its benefit program. The presentation was presented in three parts, Part I - An Overview of Trends, Part II - Flexible Benefits Overview, and Part II Flexible Benefits.

Part I - An Overview of Trends -- Fringe benefits were introduced during World War II. Between 1950-70 there was the greatest growth in employees who had health benefits. Benefits have gone from 17% in 1955 to 40% in 1994. The increase is largely due to the increasing cost of health care. Health care has become so expensive because more care is being delivered, more sophisticated medical services, lack of market competition, insurance company payment of claims, and people are living longer. Illnesses/conditions are being treated more successfully, also. Services such as drug therapies, intensive care, angioplasty, and MRI are delivered more routinely. The patient doesn't buy health care in the

same way as other products/services. Costs become less important because the patient is insulated from a majority of the expenses. Also, we're getting older and living longer, approximately every eight seconds for the next 10 years, a baby boomer turns 50. As age increases, typically so does health costs. A number of states have passed health care reform bills to help manage costs.

Employer responses to increase health costs include shifting costs and changing delivery. Shifting the costs have included benefit cutback and reducing coverage levels and employees paying for dependents. Reducing the cost has included manage care, physician networks, and changing the participants lifestyles, such as smoking cessation. Employers have introduced flexible benefits which allows an employee to pick which coverage they would like. The University health plan is a traditional fee-for-service plan and makes up roughly 25% of the types of medical plans offered. HMO/EPO (health maintenance organization/exclusive provider network) consists of 22% and PPO/POS (preferred providers organization/point of service) consists of 53%. (Source: Wyatt Data Services, 1995.)

The current environment for the State of Alaska includes the following: decreasing state revenues and increasing health care costs. The legislature is not increasing appropriations at a rate that will cover increases in salary and benefits and is scaling back state government. The legislature believes government employee's benefit programs are too expansive and health care bills are annual introduced. State employees past benefits changes include second surgical opinion, precertification, and changed the funding of the health plan from a defined benefit to a defined contribution in 1989-90. In 1993-94, individual deductible increased from \$100-\$250, the family deductible increased from \$300 to \$500, coinsurance reduced from 90% to 80%, and supplemental maximum reduced from 100% to 90%. As of July 1, 1997, State employees will be moving to a flexible benefit program.

Changes to the University benefit plan over the last few years include implementation of a charge for dependents on the health plan, capped mental health/chemical dependency annual costs, and implementation of a network and mail order pharmacy program. On January 1, 1995, the University changed from Aetna to Blue Cross, implementation of network physician option which includes discounts for the University and protection from unexpected costs for the employee, e.g. fees over reasonable and customary charges.

There are a few options the University is looking at. Maintain the current benefit plan, restructure the current benefit plan, or restructure the University's indirect compensation (benefit) program.

Flexible benefits programs can be offered to employees that have tax advantages, such as pre-tax employee contributions and reimbursement accounts which already exists under the current benefit plan. Rules for a flexible benefits plan include following IRS regulations; no deferred compensation allowed; annual open enrollments required; no mid-year changes unless family status changes, divorce, death, marriage, birth of a child; use-it-or-lose-it applies to reimbursement accounts; and plan must pass non-discrimination tests. A flexible benefit program responds to change, allows employees to select benefits to meet changing needs, allows employers to manage health care costs, allows employees an option as health care costs increase, and delivers benefits with the maximum tax advantages available. A typical plan design would consist of core benefits of medium medical, basic life insurance, and LTD with optional benefits; medical: high and low; HMOs or other network plans; dental: high and low; supplemental life; accidental death and dismemberment; LTD buy up; vision; and orthodontics. Some of the challenges of a flexible benefits plan include employee education and understanding, communications, first-year ³learning curve,² balancing choice and adverse selection, more complex administration, employee resistance to change, and employees who would rather not choose.

The State of Alaska employees have a flexible benefit plan. The supervisory union agreed to study a flexible benefits plan

in their 1995 collective bargaining agreement. Mike Humphrey was invited by the State to sit in on the development of this flexible benefits plan over the last 18 months. A committee consisting of labor and management developed the program. The committee addressed the challenges of manageable costs, satisfied employees, financial predictability, good coverage, reasonable prices, and choice from both the employer and employee stand point. The flexible benefit plan will be implemented July 1, 1997.

The current University benefit program historically has been developed along a paternalistic model. The University has determined what the benefit program should contain to meet employee needs and pays nearly all costs of the program. The objective of a good benefit plan must meet the needs of a diverse employee population, as well as operate within cost constraints.

IV Comments and Questions

Where does the University go from here, how do we address these issues, how do we collectively begin to explore these issues so that an efficient-effective program is developed. The floor was open for questions.

Question: The State has put a cap at \$424 for employee benefits, what is the equivalent cost for the University?

Response Humphrey: It is difficult to say what the equivalent cost is because the benefit structure for the State of Alaska is a little different than the benefit structure the University has. The State has a higher deductible which affects the cost. Right now health benefits run about \$5,000 a year per employee.

Question: How many people are covered in the health benefits program?

Response Kastelic: Between 9-10,000 people are covered, including dependents. There is approximately 3,500 employees. The increased costs are due to a rise in the number of claims and medical costs.

Question: What are the demographics for this group compared to faculty and bargaining unit members?

Response Humphrey: Demographics for all these units are pretty much the same.

Question: If non-bargaining unit members change to a flex packet, what impact will it have?

Response Kastelic: She cannot predict what will happen at the bargaining table. However, wages, hours, terms of condition of employment are mandatory subjects at the bargaining table and this includes benefits. The University gets a tremendous price benefit for having a large group covered. When you break that up, the costs would increase, as well as administrative costs.

Question: A recommendation was made to institute a wellness program and incentives towards preventative measures.

Response Humphrey and Kastelic: There are plan/model designs that address preventative and wellness measures in lifestyles. There are also plans which place a tax on the employee who has bad health habits, and smoking is a classic example. This will have to be addressed. Another issue which needs to be addressed is that employees live in very different communities and is very diverse. All the employees are not in one location.

Question: How close is the University to a decision to change the health benefits package?

Response Humphrey and Kastelic: The University just completed the renewal process with Blue Cross for administrative fees, as well as life insurance and long term disability. The costs of these plans have increased and that is why this presentation was made and discussion can take place on health benefits. This is not a subject which will be rushed into. A task force will be setup to address health benefits.

Costs are increasing and funding levels are decreasing and this needs to be addressed.

Question: A recommendation was made to evaluate the costs over the next year. Also, what is the cost of the total benefit package and what plans have been made to cut the other benefits, i.e. education assistant (tuition waivers), long term care, dependent coverage, parking?

Response Humphrey: It was reiterated that no area has been targeted for cuts. The administration is firmly committed on working with governance to see where we go from here.

Question: Concerns were expressed regarding medical travel for rural employees.

Response: The current health benefit plan has this provision and due to the geography of the state, medical travel should be a component for whatever type of medical plan that the University has.

Question: Clarification was asked on if tuition waivers would be allowed according to IRS rules.

Response Humphrey: Tuition waivers are allowed by certain sections of the IRS code. Tuition waivers could not be made a part of the flexible benefit package. It would have to be a separate plan.

Question: Combination of sick and annual leave and what will happen with current leave balances.

Response Kastelic: The State has a paid time off system that puts no limit on the time you may accrue. The program is completely funded and there is no cap of the leave balances. The University has sick and annual leave. Annual leave is fully funded; however, sick leave is not. The University is exploring the idea of combining leaves and employees would not lose any of the current balances.

President Pierce thanked Patty Kastelic and Mike Humphrey for including governance on the ground level of this discussion on health benefits. Staff Council will be appointing two members to serve on a statewide task which will address health benefits.

V Announcements

The next Staff Council meeting is scheduled for November 6 at 8:30 a.m. in the Wood Center Ballroom.

VI The meeting was adjourned at 11:20 a.m.

Tapes of this Staff Council meeting are in the Governance Office, 312 Signers¹ Hall, if anyone wishes to listen to the complete tapes.

Submitted by Kathy Mosca, Staff Council Secretary.