I. Approval of Minutes

Minutes of the March 27th meeting were approved without discussion.

- Darryl congratulated Milt on his retirement and recognized his service to the committee, as this was his last EBC meeting.

II. RFP Update (Julius Hilburn)

We are close to the end of our process of evaluating the responses to the medical and dental RFP. Our evaluation team has worked through the review of the proposals and has unanimously supported recommendations to move the medical benefit plan from Aetna to BlueCross/BlueShield and to place the dental plan with Delta Dental. The vendors have not been notified, and we are still negotiating, trying to get an even better deal than what we currently have on the table. However, based on the last proposals offered by the vendors, we believe the best value for OU will be BCBS and Delta Dental.

MEDICAL

On the medical plan, Aetna came in with a proposal that was an approximate 12% increase for 2009, and they also did not guarantee premiums for 2010 and 2011. The committee felt that rate guarantees were very important to make sure we did not just get a great deal in the first plan year only to see rates skyrocket in the second and third years. This was one of the weaknesses of Aetna’s proposal.
BCBS proposed about a 1.5% overall increase for 2009. BCBS also proposed a not-to-exceed premium caps for 2010 and 2011. We are still negotiating to get the guarantees for the second and third years better than they have proposed. Our rates are going to be driven by our experience, but the rate caps will represent the maximum they will be able to increase the premiums.

United Healthcare also put forward a fairly aggressive proposal. They had a little lower rates in the first year, but their guarantees in the second and third years were not as good as BCBS. When we looked at the projected expenses over three years, BCBS had a clear advantage.

We are focused now on talking to BCBS and concentrating on the couple of issues on which they still need to work:

- In Norman, BCBS does not have the doctors in the Norman Physicians Group as part of their HMO network. Early on in the negotiations, we told them this was an issue important for them to respond to. BCBS began working on this issue before they knew they had the business. They immediately started a recruiting effort with the doctors in the Norman group, and to this point they have already gotten 50% of the doctors in the group to agree to participate in the HMO. They have already told us they do not think they will be able to recruit them all, but they are striving to get a representative number of general practice physicians as well as specialists. They have made good inroads, and once there is an announcement that there is a relationship with OU, this should motivate additional physicians to join. We are making good progress on the Norman piece, and Norman employees will have a viable HMO network.

- In Tulsa, although BCBS has made a concerted effort to enter into a contract with St. John’s and St. Francis hospitals, they are not interested in a relationship with BCBS. It is driven by the fact those hospitals own Community Care which has an HMO of its own, so they would be competing against themselves.

We talked to Barbara Abercrombie and Dr. Clancy, president of OU-Tulsa, concerning other alternatives. Following the announcement of our choice, we will request a request for proposal for a Tulsa HMO as a stand-alone product. We have an expression of interest from Community Care that they will provide a bid for a stand-alone HMO. In case we are unable to get a viable or affordable HMO for Tulsa, we have also talked to Dr. Clancy about some benefit design changes that would be unique to the Tulsa employee base. For example, we might have a different co-pay for Tulsa employees in the PPO that would make that benefit more valuable, if they do not have access to an HMO option.
United Healthcare does have a network that includes these two hospitals, but their three-year rate guarantee was not as strong as BCBS. We also thought the customer service and management BCBS offered was probably an advantage worth pursuing.

Because BCBS’ first-year rate is pretty much flat compared to where we are this year, we believe we can implement that program without any increase in employee contributions compared to where we are this year. The ability to not raise employee premiums is a positive aspect, especially during a tight budget year. Last year when we introduced contributions, we introduced it as the first year in a two-phased approach. We introduced it as two phases so we could slowly introduce contributions while chipping away at the dependent rates, trying to get the dependent rates closer to market rates. We are comfortable that this first-year renewal will be such we will not have to increase employee contributions. The second part is how much, if any, additional progress we will be able to fund in this budget year to get the dependent rates reduced even more. We will continue to work toward this.

The one group the rate proposals were disappointing for in terms of the outcome was the post-65 retirees. What was proposed was about a 24% increase for that group by all three vendors. Proposals were based on the OU experience we shared with the vendors. There is some sense our old rates did not fully reflect the utilization by that particular group. For our post-65 retirees, OU pays the cost, so the premium increase is borne by the University. However, our retirees do pay that increase for their dependents.

Another thing about which we were impressed with BCBS is their wellness programs and disease management programs are well thought out, and they supported some of the things we want to do as a University, including a smoking cessation program. They also have offered a proposal to provide the University with $500,000 for biometric testing (blood pressure, cholesterol, glucose, BMI screenings, etc.). There is a committee currently looking at formalizing some of our wellness programs, and this funding will play a key part in jumpstarting that effort. We also will ask the administration to provide some level of funding to help increase in that particular area.

**DENTAL**

Delta Dental had the most aggressive dental proposal. Their proposal featured lower rates and more enhanced benefits than what we currently have. The RFP committee recommended we take Delta up on a proposal which would add orthodontic benefits, including adult orthodontia. They are able to offer this benefit and still provide a reduction in rates from where we are this year. The only employees who would see a slight increase in premiums would be those covering children and families. Also, we very seldom had service issues with Delta when they were our dental provider in the past.
Questions/Comments from Committee (Answers in bold)

- What would happen if Aetna came back and said they would match BCBS?

  Julius responded Aetna has been given plenty of opportunities to do this, and they have not. If they did match BCBS as far as prices, we would begin to look at service and our expectations about service. We gave all of the bidders at least two opportunities to give us their “best and final.” We gave them suggestions on how to refine their proposals. When we did that, BCBS and United Healthcare did come back with better proposals; Aetna did not respond.

- Has there been any discussion with BCBS regarding including OU providers in the BCBS network?

  Julius answered they are included in the network. I do not think we have any network issues. Delta Dental also has a relationship with the College of Dentistry.

- Have the consultants looked at the differences in the formularies?

  Nick responded it is not part of our negotiations, but it will certainly be part of our education and information campaign as we go forward after the announcement. Regarding step therapy, Julius said BCBS will be given authorization that if an employee is already authorized to take a prescription, BCBS will not require the employee to provide additional evidence or to go back to square one with step therapy. The plan design is the same as what we have now with the same co-pays; however, a drug may not be on the BCBS formulary that was on Aetna’s formulary.

- Is BCBS going to allow free-standing physical therapy practices? Aetna does not.

  Nick said he believes BCBS has a different philosophy regarding physical therapy, and that is something we will have to research.

- Last time we were with BCBS, didn’t another group handle the pharmacy aspect?

  Nick responded that was when we were with Schaller-Anderson. BCBS is their own pharmacy benefit manager. Also, the plan was self-insured last time we were with BCBS; this is a fully insured plan.

- Are we still on track to go to the June Regents?

  Julius responded that yes, we are on track to go to the June Regents with our recommendation, and our message to the campus is going to be no increase in rates.
• Is the mental health network bigger in this case (with BCBS)?

Will responded BCBS also uses Magellan, which is the company we had some trouble with while with Aetna. We have made some headway with signing up new people with Magellan, so it should be better.

• Is BCBS going to do the reimbursement accounts as well?

Julius stated yes, and BCBS has the debit card technology. The committee believes they will do a good job at administering the flexible spending accounts.

• Have we looked at a way we can reduce the cost impact on dual-employed OU couples?

Nick said linking deductibles for dual-employed couples is something we will talk to BCBS about. However, the dual spouse rates with the six salary tiers is going to be very challenging to make work in a way that can be administered and communicated.

• What is the relationship with Aetna going to be for the rest of this year?

Julius stated that is something about which we are also concerned. We will not be the first customer Aetna has lost. My sense is they will be professional; there may be some level of deterioration in service and responsiveness. I believe their service will be acceptable. Nick added Aetna does have an obligation; they recognize they do not want a bad reputation to follow them from this experience.

• If employees begin to experience troubles, will there be a designated person in your area they can call?

Nick said we will probably do the same things as we do now; as we get calls, we direct them to the appropriate people; some issues that are complex, I will handle, and others the staff will resolve. Julius added as part of our transition planning, a lot of attention will be placed on transition of care. In the next months, we will spend a lot of time trying to make sure people understand what they need to do to ensure there is no disruption to their care or their pattern of treatment.

• The other misstep we need to make sure we don’t make, if we do switch to another provider, is they need to make sure they get their (insurance) cards out to people.
Nick stated we will have plenty of time to talk to them about that. They should have adequate time to get cards distributed by January 1st.

- How often will we do an RFP?

    Julius answered our plan is to do an RFP every three or four years. As you saw on the rate guarantee, we are getting a three-year rate guarantee.

**RECOMMENDATION FROM THE COMMITTEE**

Julius explained the RFP committee looked at pricing, network, disease management, wellness, account management, customer service. When we weighted those factors, we thought BCBS clearly represented the best overall value to us. It was the same with Delta Dental. We hope the EBC would make a recommendation to the President in support of the recommendation proposed by the Evaluation Committee.

Debbie made a motion that the EBC supports the recommendation of the RFP Evaluation Committee and commends them for their hard work. Motion seconded by Milt. Motion passed unanimously.

**III. Other Business (Julius)**

The IRS has issued some new regulations for voluntary defined contribution plans called 403(b) plans. The University has 403(b) plans that employees can put money in on a tax-deferred basis. The IRS now says if you sponsor a 403(b) plan, you have an increased level of responsibility for managing the plan and the investment options offered. In the past, the approach taken was that as a sponsor, you were not really required to oversee or manage those options. The new regulations require the following:

1. The IRS is going to require all 403(b) sponsors to have a written plan document that says this is how the plans works and this is what you can do and what you can’t do, putting the responsibility on the sponsor.
2. We will have to focus a lot more on what options we are allowing our employees to put their money in. We have an obligation to know what the companies are charging in the way of fees, whether they are administering correctly and following IRS regulations.

One part of the new regulations is already in effect. If people are moving money from 403(b) funds to other funds, the sponsor has to understand how those funds are operated before they allow those transactions. We have already begun to implement this piece of the regulations.
The State Regents have organized an effort to manage the 403(b) plans for most state colleges and universities. They are trying to set up an omnibus 403(b) plan for higher education. OU considered being a part of this effort, but we have chosen to develop our own plan. We think it will be better for us and will give us more flexibility to be on our own.

We have already begun to meet the regulations; we have to be in complete compliance by January 1, 2009. We will give you an outline of what is required and what we are going to do at next month’s meeting.

VI. New Business

No new business.

The next meeting will be held Thursday, June 19th. There being no other business, the meeting was adjourned at 2:50 p.m.