MINUTES
EMPLOYMENT BENEFITS COMMITTEE
April 21, 2011

Members Present
Don Clothier               Frank Lawler               Justin Wert
Debbie Copp                Sue-Anna Miller          Brenda Freese – Chair Scott Moses
Aimee Franklin             Jannie Porter             Suzanne Gilmore Will Wayne
Don Harrison               Frances Wen

Members Absent
Alisa Dougless             Chad Johnson

Guests Present
Norm Jacobson - The Segal Company
Mitch Bramstaedt – The Segal Company
Al Schwarzkopf - Faculty

Ex Officio Members
Barbara Abercrombie - Absent
Julius Hilburn
Nick Kelly

The meeting was called to order by Brenda Freese at 1:30 pm.

I. Approval of Minutes

- The March minutes were approved with no changes

II. Health Insurance 2012

Mitch Bramstaedt of Segal was present to update the committee on the 2012 health insurance renewal.
- The current renewal projections, using data through March 2011, show a slightly more favorable renewal of 3.8%. However, the renewal number is subject to change monthly as claims paid fluctuate.
- Several options were modeled for the HMO and PPO plans.
  - The most significant source of savings is the addition of a deductible on the HMO. A $300 deductible would save 3.61% and a $500 deductible would save 5.39%. If a deductible were added it would only apply to certain services, such as hospitalization, outpatient surgery, etc., as with the PPO.
• A number of changes to the pharmacy benefit were modeled which include changes in copay structure and adding a provision requiring that 90-day supply drugs be allowed for “maintenance” drugs only.

• OU is engaged in discussions with BCBSOK regarding additional network options which may result in higher discounts.

III. Retiree Medical – Segal (Norm Jacobson)

• Norm Jacobson began his presentation with general comments about retiree medical. Of note, he informed the committee that less than 50% of all institutions of higher education offer retiree health, and of those that do few, if any, pay in full for retirees.

• Background on the committee’s previous work was given.

• Norm informed the group that outstanding retiree medical liability can have an impact on OU’s bond ratings.
  • Bond firms are looking for a plan for cost control

• A review was given of the current eligibility guidelines and plan provisions, along with an overview of Medicare.
  • Rule of 80
  • Age 62 with 10 years benefits eligible service
  • 25 years of benefits eligible service
  • Medicare coordination methods:
    • Full coordination- plan pays the full amount not paid by Medicare, but no more than it would pay if Medicare had not paid anything
    • Carve Out – retiree has the same out of pocket expense as if Medicare paid nothing
    • Exclusion – treat the claim as the balance after Medicare, then apply the plan deductible and coinsurance to the balance

• Redesigning the Retiree Medical Plan using the Committee’s recommendations would reduce the University’s liability to $419.2 Million, a reduction of $223.4 Million.

IV. Retiree Medical – Julius Hilburn

• Since the committee began its review of retiree medical:
  • Costs have increased 46%
  • Number of retirees has increased 16%
  • Credit rating agencies have expressed some concern about OU’s post-retirement obligation

• Committee recommendations have been revised in order to:
  • Limit the number of groups with benefit differences
  • Spread the impact of change more evenly
  • Generate cost savings through modest changes affecting many rather than drastic changes affecting only a few
• New recommendations:
  • Reduce number of unique groups from six to two
  • Retirees who become eligible after 12/31/2014 would not be eligible for a premium subsidy until the attainment of age 55
  • Apply $300 annual deductible for all Medicare participants
  • Allow one-time opt-out to retirees with other coverage
  • Change Medicare Coordination of Benefits method to the “exclusion” method for all Medicare retirees as of 1/1/2013
  • Introduce contributions, which will remain constant throughout retirement, for retirees eligible after 12/31/2014
  • Eliminate 2.5X cost cap
  • Julius noted that none of the recommendations are expected to impact retirement patterns as all provisions are dependent on the date the employee is eligible to retire, not the actual date of retirement.
  • Julius indicated that no action is anticipated on the recommendations until the Fall of this year, at the earliest.

Comment: Debbie Copp stated she believes people will like the new recommendations because it is simpler to understand. However, she also thinks there is an expectation on campus that there will be a comment period.

Comment: Jannie Porter and Scott Moses questioned whether the age/service matrix given to the committee in the presentation was correct. Julius said he would look into it and correct if necessary.

V. Vision, Life, AD&D and LTD RFP

• The bid is now closed; there were 9 responses
• Segal is preparing a financial analysis which is due to HR by April 26th.
• Finalist presentations will take place the week of May 2nd.

VI. Other Business

• Brenda Freese discussed an email she received from Sue-Anna Miller discussing the health insurance concerns of some of OU’s custodial staff.
  • Access to local providers, due to limited transportation
  • Low office visit copays – many employees cannot afford the current $25/$35 copay
  • There are a low percentage of the lowest paid employees that can afford to cover families.

Question: Debbie asked if Sue-Anna’s email could be circulated to all committee members. Angela Hawpe will forward it to everyone.
• Debbie Copp discussed an issue with a recent prescription she filled that was supposed to be generic, but she was charged $40.
  • Angela Hawpe will speak with Debbie about the specific drug and investigate the issue.

The next regularly scheduled EBC meeting will be May 19, 2011

The meeting was adjourned at 4:00 p.m.