MINUTES
EMPLOYMENT BENEFITS COMMITTEE
May 19, 2011

Members Present
Don Clothier       Frank Lawler
Debbie Copp        Jannie Porter
Brenda Freese – Chair  Al Schwarzkopf
Aimee Franklin
Suzanne Gilmore
Don Harrison

Members Absent
Alisa Dougless       Will Wayne
Chad Johnson         Frances Wen
Sue-Anna Miller

Guests Present
Norm Jacobson - The Segal Company
Mitch Bramstaedt – The Segal Company

Ex Officio Members
Barbara Abercrombie
Julius Hilburn - Absent
Nick Kelly

The meeting was called to order by Brenda Freese at 1:35 pm.

I. Approval of Minutes
   • The April minutes were approved with no changes

II. Health Insurance 2012

Mitch Bramstaedt and Norm Jacobson of Segal were present to update the committee on the 2012 health insurance renewal.
   • The current renewal projections, using data through April 2011, show a slightly less favorable renewal of 6.4% overall. April claims experience was worse than in recent months and was compared to the claims trend from April 2010.
   • 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.
  - Aimee proposed that all plans have a $10/$40/$60 tier structure so that all employees receive some increase and the University still saves 2%.
- Other options, such as increased high level imaging, out-patient surgery, and office visit copays were modeled but savings are negligible.
- OU is engaged in discussions with BCBSOK regarding additional network options which may result in higher discounts. Norman Regional is not currently participating in the smaller “Blue Preferred” network, but negotiations are ongoing between BCBS and Norman Regional in effort to offer the network to all employees.

Al indicated he believes there should be a greater difference between the “Blue Preferred” and “Blue Choice” networks in order to encourage employees to really think about their provider choices. His suggestions were as follows:

- Create a larger gap in the discount amount between the two networks
- Keep out of pocket cost as low as possible
- Increase copays to higher level than current PPO, to keep up with increasing costs

Al is concerned about trying to change the plans during the summer, while faculty members are gone. He suggested we wait until later in the fall to send proposed changes to the Board of Regents. Nick explained the timeline for sending rates/changes to the President.

Debbie expressed concern over the focus to lower PPO rates due to the fact that the HMO plan is costing the most. This will leave HMO members paying even higher rates since university funding is based on the PPO.

III. Retiree Medical

- Norm Jacobson told the group there have been no new developments since the March meeting.
  - Timeline has not changed
  - There will be discussions with campus community
  - Earliest anything may happen is late fall
- Based on Jannie and Scott’s questions about the matrix in the March meeting the issue was reviewed and the updated matrix was presented. The corrected matrix is included in the April presentation.
- A recap of the March discussion was presented.
• 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.
• Outstanding retiree medical liability can have an impact on OU’s bond ratings.
  • Bond firms are looking for a plan for cost control
• 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
• Using a service only matrix wasn’t feasible as it significantly reduces the benefit to faculty members hired later in their career.
• In order to reward longer service employees, the matrix provides 10% more subsidy for every 5 years a retiree stayed with the University.
• Disability retirement will not change.

Jannie asked if Julius has spoken with Present Boren. Nick indicated his direction was to proceed with campus discussions.

Aimee asked why the age of 55 was chosen as the cutoff for benefits. Nick said the committee unanimously decided that no one under the age of 55 should have full retirement benefits, primarily due to the likelihood they would be working elsewhere, thus eligible for other group coverage. However, some of the more physical jobs would be more difficult to perform into one’s late 50’s and 60’s.

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

• Based on the committee evaluation scores The Standard will be recommended to the Board of Regents as the provider of Life, LTD and AD&D insurance. It will be recommended that VSP remain the provider for vision insurance. The next Regents meeting is June 20-22 and it is anticipated both recommendations will be approved at that time.
Both organizations reduced their current rates which will result in shared savings between employees and OU of approximately $1.1 million.

The next regularly scheduled EBC meeting will be June 16, 2011

The meeting was adjourned at 3:25 p.m.