

**Senate Benefits and Welfare Committee
University of Pittsburgh**

Minutes of Thursday, March 4, 2010 Meeting

TOPIC	DISCUSSION	ACTION TO BE TAKEN
Call to order	P. Weiss called the meeting to order at 10:07 am.	
1. Review of Past Minutes	Review and approval of revised minutes of January 7 meeting and minutes of February 4 meeting.	Minutes will be posted to the committee website.
2. Announcements	Linda Rinaman has volunteered her willingness to chair this committee when P. Weiss steps down at the end of this year. Formal election of the new chair will take place next month in accordance with committee bylaws.	
3. Benefits Office report	<p>John Kozar reports that Open Enrollment is upcoming. As part of the annual review for the setting of premiums Jerry Cochran convenes a medical advisory committee. The Benefits Office presents utilization data; the committee also looks at national survey data to predict utilization moving forward, and to other sources of data (including a survey that the Benefits Office has undertaken of AAU schools to compare the benefits packages offered by Pitt with those of peer institutions; this survey will be updated annually). The results of that survey will be shared through the Faculty Assembly later this spring, as well as with this committee. The survey data show that Pitt's plan design is very competitive and attractive in comparison to those of its peer institutions.</p> <p>Open Enrollment itself will occur during the last two weeks of April. Benefits fairs including one on the health sciences area of campus will be held to maximize faculty access to information about options.</p> <p>Fitness for Life/Healthy Lifestyle Experience 3 held a well-attended event this week to encourage personal health evaluation, healthy cooking, and exercise.</p> <p>The Benefits Office has been looking for a better way to handle the administration of student benefit coverage. Pitt offers coverage to all undergraduates and to all graduate students with academic appointments. The Provost's office has also decided that starting next year all international students must have benefits coverage, whether through the university or from other sources, which will further increase the number of students involved. The Benefits Office plans to create an interface, working with an outside vendor, to allow students to access and administer the details of their own coverage, likely through the my.pitt.edu portal.</p> <p>Questions were raised regarding how rapidly any improvements in pool performance (in particular, performance that beats prior underwriting estimates) are reflected in</p>	

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	<p>reductions in premiums charged to plan participants. J. Kozar reports that the medical advisory committee has access to the immediately preceding year's actual utilization data and uses that as the basis for future projections; thus, better performance than anticipated is recognized immediately and reflected in the premiums set for the coming year.</p> <p>Alan Meisel suggested as a topic for a future agenda the results of the new law in Pennsylvania that permits children to stay on parents' health plans for a longer period of time. Asks John Kozar to report on how that is impacting us. J. Kozar reports that Pitt made this option available before the mandated date and without adding a separate premium (e.g., an adult child can continue within family coverage). Other employers have made this available as per the law but charging each child a full additional individual premium, essentially similar to COBRA rates.</p> <p>Questions had been raised at a previous meeting regarding the availability of the UPMC formulary (UPMC YOUR CHOICE Pharmacy Benefit Guide). It is accessible through www.hr.pitt.edu/benefits/medical.htm and is at the direct URL http://upmc1.formularies.com. The Benefits Office plans to take steps to make this particular information more accessible as well as making the web site as a whole more intuitive and usable.</p>	<p>J. Kozar will present that information once it becomes available</p>
<p>4. Retiree health care and its funding</p>	<p>Cathy Batteer, Vice President of Medicare and Product Development, UPMC Health Plan, reports on current and future issues in retiree health care and its funding.</p> <p>The Medicare Payment Advisory Commission made its annual report to Congress this month; C. Bateer brought in copies of key parts of that report to share with the committee. Charts demonstrate the rapidly growing portion of the US GDP devoted to Medicare spending (Parts A, B, and D alike). Factors adding to the increase in health spending overall include growth of new technologies; growth in disposable income; the availability of insurance shielding consumers from the full cost of care consumed; the aging of the population; changing health status (increase of chronic conditions); and consolidation among health providers that has decreased competition.</p> <p>C. Bateer also drew attention to the fact that the Hospital Insurance portion of Medicare's obligations is predicted to rise rapidly after 2016 with the aging of the baby boom generation, such that payroll taxes, premiums, and available general revenue transfers (the currently available sources of funding) will no longer be sufficient to cover those costs.</p>	

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	<p>Switching from the long term picture to more immediate challenges, she reported that in 2009 Medicare Advantage plans were paid by the federal government as if the “physician’s fix” was not going to happen—that is, there was a 4% absolute reduction of compensation rates, which in light of cost growth amounted to a 8% cut vis-a-vis expense levels. This equaled a \$35 per person per month absolute reduction in Medicare compensation to UPMC for each covered individual, and a \$70 per person deficit with regard to needs.</p> <p>Nationally, enrollment in Medicare Advantage is growing rapidly, which has brought benefits to covered individuals but has contributed to fiscal problems. Currently about 20% of Medicare beneficiaries are covered by a Medicare Advantage plan, and within Western Pennsylvania it is closer to 60% (a legacy of the strong union benefits of previous eras, and the university employers offering strong and widespread coverage). Medicare Advantage Plans have been “overpaid” in the sense that they have been more expensive to the federal government than straightforward Medicare coverage would have been. This was the result of steps taken by Congress under the Bush administration to subsidize continuing private insurer participation in this program. In Allegheny County the cost to the government for individuals under Medicare Advantage is about 8% higher than straight Medicare fee-for-service would be. In rural areas the overpayment is even larger. All health care reform proposals up for debate move to take this subsidy away from Medicare Advantage, on the grounds that it gives additional benefits and resources to individuals already benefitting from health insurance coverage; the reform proposals aim to redirect those resources to support expansion of coverage to the uninsured.</p> <p>The federal government ranks health plans based on quality statistics (based on data regarding fulfillment of HEDIS standards plus consumer satisfaction surveys), to generate a 2-to-5 star rating for each. UPMC for Life HMO (the UPMC Medicare Advantage HMO) has a three-and-a-half star rating, placing it at the 53 percentile for quality. (The same federal data reveals that private Fee-for-Service Medicare Advantage plans are the area of fastest growth and have the least impressive quality statistics.)</p> <p>In sum, when health care reform passes the subsidization of Medicare Advantage plans is going to go away. According to the procedures written into the legislation currently on the table, Medicare Advantage plans will competitively bid to serve markets and that bidding process will set new rates, hopefully more reflective of actual market conditions and with less price distortion between markets. Overall, and certainly in Allegheny County, the subsidy will decrease and the results will be felt, whether by consumers in the form of benefits cuts or by insurers in reductions of profit margins. Negotiations are ongoing between C. Bateer’s office and other regional actors to figure out how to best</p>	

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	<p>navigate these shifting circumstances.</p> <p>Committee members asked what portion of Pitt retirees are in either the UPMC or the Highmark Medicare Advantage programs. J. Kozar replied that it is about 75%.</p> <p>New research suggests that regionally high rates of health care expenditure are driven by high local supply of health providers rather than needs per se. This is “supply-driven demand,” in other words, spurred by the current structure of compensation to suppliers (eg, payment for services rendered rather than in recognition of outcomes or necessity per se).</p> <p>J. Kozar reported that this all impacts the university and its benefits provision directly. There was a big bump in UPMC for Life rates this past year, for instance. N. Gilkes then distributed to the committee copies of the Post-65 Retiree Health Care Programs that will be offered this year as part of the Annual Enrollment Period. He also described new regulations in the offing that will require institutions providing retiree health benefits to set aside funds to cover future liabilities for promised future retiree health care coverage. Pitt has anticipated this issue and has been partially pre-funding this for the last 17 or 18 years, so the adjustment will not be as drastic as otherwise would be the case. The Defined Dollar Benefit plan also works essentially to cap future liabilities for Pitt for those retirees enrolled in that plan. The Benefits Office has found from surveys that Pitt employees often do not know about the retiree health care benefits the university provides, and is taking steps to expand education in this regard.</p>	
Adjournment	P. Weiss adjourned the meeting at 11:35 am.	

Members attending: Baker JJ, Flynn RR, Gilkes N, Holland JG, Kane I, Kozar J, Meisel A, Putnam L, Riccelli A, Rinaman L, Robertson RJ, Scott MC, Weiss PM, Wolfe H

Others attending: Cathy Batteer, Vice President of Medicare and Product Development, UPMC Health Plan