To better understand current issues that the University Benefits Advisory Board, or UBAB, is facing, it will be helpful to review the history of health benefits at CU.

In the 1990s, CU’s health plans were self-insured by the University. Because our health insurance premiums had risen significantly for some time and also because it appeared that a significant financial loss from these self-insured plans was occurring, in October 1997 President Buechner requested an internal audit of these plans and of health benefits in general. In June 1998, the auditors reported that the health plans had incurred an operating deficit of nearly $8 million in the combined years of 1996 and 1997. Financial reserves for the health plans had diminished from $6.1 million to $1.5 million, and, overall, by the end of 1997 the self-insured health plans were nearly $7 million in the red.

In addition to this fiscal mess, there was low employee satisfaction with these plans, which had led to a substantial migration of employees out of University health insurance. One plan called CU Gold had a 65% loss of enrollees between 1997 and 1998. Two major reasons for this migration were a perceived low quality of care and the significant premium increases. For example, a plan called CU Silver had a premium increase between 1997 and 1998 of, and this may be hard for you to believe, 568% for a single person and 428% for a family.

The auditors’ startling conclusions were that CU did not have the experience, management expertise, strategies or economies of scale to effectively manage self-insured plans. Their recommendation was that CU should move as quickly as possible to acquire fully insured commercial plans.
In January 1999, a three-month study by a local outside consulting firm appointed by President Buechner noted that the University’s contributions to medical insurance premiums had not increased in five years, and this, not surprisingly, caused the employee’s share of premiums to markedly increase. The consultants also noted that University Physicians Inc. (UPI) physicians were the sole providers of health care under this self-insurance model, and that the University had not gone through a competitive bidding process for outside providers. In addition, the University had not considered issues of access for enrollees from the Boulder and Colorado Springs campuses to the medical providers in Denver. The consultants also reported that health benefits had been reduced in the plans as a way of offsetting increasing costs. Other contributors to the terrible financial state were that the plans were not credited with earned interest from the University’s health care fund but instead this money was diverted to other University needs and an attempt by CU to build reserves also resulted in an increase in premium cost. In summary, the consultants reported that the value of CU’s health benefits had eroded significantly since 1994. This, then, was the way things were 13 years ago.

The consultants made 48 recommendations and most of these were enacted. I will only touch on the major ones. Perhaps the most important was the recommendation that CU, through a competitive bidding process, should seek out a variety of fully insured, commercial health plans that had adequate provider networks in Denver, Boulder and Colorado Springs. It was recommended that there be several different types of plans, such as an HMO, PPO, etc. and at least one plan should have a national provider network for families with children in college or for faculty on sabbaticals. UPI was recommended for inclusion as a medical provider but at least two other medical networks were to be
included as a result of the provider bidding process. Accurate pricing of any included plans was considered to be essential. It was also recommended that CU’s contribution to the premiums should be based, at least in part, on a study of peer institutions and this comparison should be redone every three years.

The consultants also recommended the formation of UBAB to give strategic input to the President and Administration on benefits policies issues. UBAB would then replace the unwieldy Benefits Oversight Committee that had about 40 members. The members of UBAB, and this is very important, were directed to represent the needs and interests of all employees and not just their own constituent groups. The composition of the board was to consist of two members representing classified staff, one member who would represent professional exempt employees and one faculty member from each of the four campuses chosen by their respective Faculty Assemblies, for a total of seven voting members. A controversy erupted over appointing an active physician faculty member to represent the Health Sciences Center, since such a person would be a member of UPI and some felt that he or she might not act in the interests of all CU employees. Since it was considered advantageous to have a physician on UBAB, it was decided to appoint a retired physician. I had recently retired and was chosen.

There has been a bit more turnover of the staff members of UBAB than of the faculty members. Two of the faculty members have not changed – Bruce Neumann of Accounting and Healthcare Financial Management at UCD and me, a former Professor of Neurology in the medical school. We currently lack a faculty representative from Colorado Springs but expect that one will soon be appointed. The head of Payroll and
Benefits Services (PBS), Mark Stanker, and the head of Benefits in that department, Gena Trujillo, are non-voting members of UBAB.

Now, I want to emphasize a few things. UBAB is an advisory group for benefits-related issues for President Benson and the Administration. We are charged with developing recommendations for benefits problems and with reviewing the operational and financial status of benefits programs. The most recent Administrative Policy Statement, or APS, written in November 2008, defined membership on UBAB and, for the first time, set term limits. My term is up on June 30, 2014. It added the fact that one faculty member must be a retiree. Another of our charges is to consider issues of plan design, networks, rates and other key benefits with the support of PBS. As is customary, a review of this APS after three years is underway.

How has UBAB functioned in its 13 years of existence? It meets monthly, slowly developed a sense of its multiple missions and has learned how to function most effectively in the ever-changing healthcare world. Along with the CU Administration and PBS, it has developed a variety of plan offerings to meet the needs and desires of faculty, classified staff, professional exempt staff and retirees. It has analyzed plan shortcomings over the years and has recommended changes and improvements. It recommended increases in CU contributions for healthcare, and, happily, these have gradually been enacted. It made comparisons of our plans and costs with peer institutions and recommended appropriate changes. It worked closely with PBS every few years in constructing the RFPs for health benefits and participated in the interviews that resulted in the choice of the final group of commercial insurers. Similarly, we participated in the choice of the dental providers and the selection of life insurers. We believe that over
these 13 years our health plans, and benefits in general, have improved and costs to employees have gradually been lowered. Aside from health care, UBAB initiated the tuition benefit discussion for both employees and dependents.

About two years ago, the University, after making the decision to once again self-insure its health plans, formed a Health and Welfare Trust to carry this out. At least two reasons seemed to be behind this change. The first was the hope that some cost savings might be achieved and the second was the hope that the health plans offered by the University might be more closely structured to the needs and desires of its employees than were commercially available plans. The Trust brings together CU, UPI and the University of Colorado Hospital (UCH) for healthcare self-insurance. Two of the five Trust members are from CU, two are from UCH and one is from UPI. Three of these members are from financial affairs while two are from Human Resources.

UBAB is now in the process of defining its relationship to the Trust. We believe that UBAB will bring to this relationship considerable knowledge and 13 years of experience in the evaluation and implementation of benefit plans developed for CU employees. We also believe that there should be a tripartite relationship with UBAB as advisory, PBS as the administrator of plans working with an experienced commercial health plan administrator who, if you have not heard, on July 1 will be Cigna replacing Anthem in that capacity, and the third party would be the Trust as the provider and administrator of plan funding. We believe that each entity should work collaboratively within this partnership to ensure that employee’s needs and goals are considered and achieved. We are currently making what we believe to be an important point to President
Benson and his Administration; namely, that since CU employees participate in funding the Trust, they should also participate in Trust activities that concern health affairs.

At present, the Trust has no employee representation and meets publicly only on a quarterly basis. It appears that the same Trust members also meet privately as an Employer’s Group to determine health plan details. This group also has no employee representation. For 13 years, UBAB has operated in the space between the CU Administration, PBS, the Faculty Council, four Faculty Assemblies, four Staff Councils and the Exempt Professional Assembly. No other University Group has this coordination nor the experience with health benefit issues. Since UBAB can bring forward and actively represent the views of faculty, classified and professional exempt staff and retirees, and since we believe that employees deserve a voice in determining how their money is spent, UBAB is recommending to President Benson and Vice President Pollack that, inasmuch as the Trust currently has no direct employee representation, UBAB should become a liaison between the CU employees and the Health Trust.

To implement this, we are requesting that two UBAB members, one faculty and one staff, be appointed to the Trust board and to the Employer’s Group with full membership rights, except for voting rights. One reason for not requesting voting rights has to do with the intricate legalities of the Trust. UBAB believes that such an appointment will bring all voices to bear on health benefit issues, particularly the voices of all employee categories, and make for a strong collaborative effort in this most important area. The memo regarding this request has recently been sent to the President and Vice President. We hope that a positive response will be forthcoming to insure a close and beneficial relationship for all.
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