

**UNIVERSITY OF WASHINGTON
FACULTY COUNCIL ON RETIREMENT, INSURANCE AND BENEFITS**

The Faculty Council on Retirement, Insurance and Benefits met on December 5, 2001, at 1 p.m. Chair Diane Martin presided.

PRESENT: *Professors:* Bliquez, Boxx, Dugdale, Martin, Waaland, Whittaker
 Other members: Baylor, Chamberlin, Dougherty, Dwyer, Henley, Olswang

ABSENT: *Professors:* Brandt, Frey, Kochin
 Other members: Hamilton

Synopsis

1. Approve agenda.
2. Approve minutes.
3. Discussion of HCA priorities and plans for the future.
 Guests Ida Zodrow (Director, HCA) and Mary Kay O'Neil (Assoc. Medical Director, UMP)
 - a. HCA plans for the future given a weak state economy
 Increased out of pocket costs for employees (deductibles and copays/coinsurance)
 Potential erosion of health benefits
 - b. Elimination of dual coverage
 - c. Long term care insurance
 - d. Flexible spending accounts
 - e. How can FCRIB work most effectively with HCA?
4. Discuss visits to UW Departments

The meeting was called to order at 1:04 p.m. The agenda and the minutes were approved as submitted.

HCA Priorities, Plans, and Challenges

Chair Martin introduced and welcomed Ida Zodrow, Director of the Health Care Authority (HCA), and Mary Kay O'Neil, Associate Medical Director of the Uniform Medical Plan, presenters on HCA's mission, services, plans, and challenges.

HCA is the "holding company" that administers benefits for health care for Washington State. The Public Employees Benefits Board (PEBB) is an oversight board of the Health Care Authority.

HCA's mission, said Zodrow, is to provide access to affordable quality health care. In the Public Employees program, HCA serves about 310,000 people (64,000 are retirees), and administers the State Self-Funded Preferred Provider Plan (UMP). HCA also administers the Basic Health Plan for about 125,000 low-income people.

At present, HCA faces many challenges. Primary Care Physicians and pediatricians are leaving the state, particularly Thurston County, because of the reimbursement system. The West Coast started with a low base for Medicare reimbursements and has seen further cuts, so it's hard to recruit and keep physicians in the area when larger states like Florida reimburse at higher rates.

HCA is seeing double-digit inflation in medical and pharmacy costs. As a result, most people expect either reduced benefits or reduced access in the health care arena. This doesn't necessarily have to happen, said Zodrow. While the economic climate is admittedly poor, HCA is focusing on more efficient use of resources to drive more quality into the program and save money.

Important in healthcare are access, best outcomes for the lowest price, mitigation of disabilities, and safety in medical procedures. In the recent past, said Zodrow, health care managers have become obsessed with numbers instead of quality - assessing dollars and statistics instead of medical outcomes. If HCA can reverse this trend and focus more on quality, Zodrow believes there will be a cost benefit as well.

Zodrow related some statistics she described as disquieting. Recent studies show that:

1. In 1999, medical errors were the 8th leading cause of death (up to 98,000 deaths).
2. Up to 25% of hospital deaths from pneumonia, heart attack, and stroke could have been prevented by better hospital care.
3. For every 100 hospital admissions, there are 6.5 avoidable drug errors at an average cost of \$4500 each.
4. Conditions such as asthma, diabetes or depression go undiagnosed 50% of the time.
5. Between 4% and 30% of medical costs are attributable to medical errors, over-use, or under-use.

These statistics point to a lot of waste in the system, Zodrow said. If only 4% of the waste could be eliminated, the savings would be 17 billion dollars across the country.

Relationship of Quality to Cost

HCA doesn't see a simple linear relationship between quality and cost - spending more money doesn't necessarily guarantee quality. For example, patient safety is a priority; medical error data should be reported to the public, and regulatory agencies should assist consumers in that process.

HCA is one of the largest purchasers in the State of Washington, buying healthcare for 20% of the population. Instead of strictly cost-based purchasing, HCA has implemented a value-purchasing system that combines quality measurement with cost considerations. Childhood immunizations and rate of mammography are two good indicators of the quality of preventive care. HCA also requires health plans to demonstrate steps their hospitals are taking to reduce error rates. HCA participates in the National Leapfrog Consortium, which promotes hospital safety; Leapfrog initiatives include computerized physician prescription ordering in hospitals.

Customer satisfaction is important to HCA - health plans must be able to demonstrate that they respond, properly adjudicate, and quickly make payment. HCA conducts surveys to discover what consumers think of the service they receive from the plans.

HCA looks at clinical practice across Washington and rewards sound clinical practice, so patients can reliably expect a positive benefit from treatment.

HCA has ambitious long-term goals, which include reforming provider payments and working with health plans to tie quality to rates, as well as requiring clinical practice standards, uniform disclosure of errors, documentation of patient outcomes, and education programs for consumers and providers.

HCA would like to achieve 30% savings and increase quality, but there are some tradeoffs. Consumers demand a very wide choice of health plans and providers, but must be willing to accept some reduction in choice if quality and cost savings are to be achieved.

There also must be a level of acceptance among the principals -- the healthcare plans -- for HCA to work. Plans need to "play ball" with HCA. Doctors, consumers, providers, health plans, and bureaucrats all need to be willing to accept some change in the future, Zodrow said.

Uniform Medical Plan (UMP)

O'Neil spoke about the Uniform Medical Plan (UMP). UMP is dealing with the Patient Bill of Rights, which will enable the legislature to look at the quality of health plans. Many compliance issues are involved, and these must be resolved by January 1, 2002, the deadline imposed by the National Committee on Quality Assurance (NCQA).

Lots of health care dollars are now being used to achieve compliance - within the Patient Bill of Rights are some opportunities to make healthcare more operationally efficient so the available dollars can be used for care instead of compliance.

The Uniform Medical Plan (UMP) is a great opportunity, said Zodrow, for the State of Washington to look at alternative ways of doing business. Administrative costs run 7 to 8%, about half the administrative cost of a commercial plan. UMP is further streamlining its paperwork to ease the burden on providers, has tightened its network of pharmacies to cut administrative costs, and has negotiated better rates through value purchasing. This resulted in some plans being eliminated, which limits choice but maintains service and affordability.

Elimination of Waste in Medical Plans

Benefit cuts and increased premiums are not the only ways HCA will save money next year. They have instituted tighter reimbursement measures and saved 20 million dollars on overpayments to physicians or to institutions.

Medical Savings Accounts

The UW will issue an RFP for a vendor to administer a pilot program for medical savings accounts. These accounts allow employees to put pre-tax dollars into an account administered by a third party, and use tax-free dollars to reimburse themselves for co-pays and other medical expenses.

Defined Contribution Plans

Some employers concerned with costs have begun to provide employees with a monthly dollar amount as part of their compensation, coupled with a choice of plans. The employees can use the benefit amount any way they see fit. Some employees buy the bare minimum of catastrophic coverage and do not have preventive care. Zodrow said she does not think this alternative provides good health care for everyone, and she would not like to see it adopted.

Long Term Care

HCA offers a Long Term Care product through John Hancock - some employees would prefer TIAA-CREF, and this will be looked at since they are now a public company instead of just providing services to educators. The Hancock agreement, which is exclusive for LTC, expires in 2004.

Q and A Session:

Q. Will the cost of benefits increase?

A. With the weak economy, health benefits will most likely be looked at based on overall compensation - salary and benefits as a total package. There will be increases in premiums or minimum premiums. Single employees pay about 8% of the cost of their healthcare, while the national average is closer to 15%. The state has subsidized costs for years, so the rise seems especially dramatic in a bad year. There could be a fairly large jump in calendar year 2003.

Katy Dwyer commented that the state and the University haven't done a good job of communicating the good benefits we have. O'Neil agreed - her coverage at Virginia Mason Hospital cost \$279/mo for family

coverage, which is much higher than UW rates. Zodrow advised that she paid \$120/mo for a CAL-PERS plan similar to the coverage she gets for \$26/mo with the UMP.

Q. Will **alternative care** coverage be reduced?

A. Because Washington has an "Every Willing Provider" statute, alternative care will be protected even in the budget cuts. There is work to do in this area - decisions about alternative medicine providers need to be made, but this is difficult to accomplish because data on them is not easily available.

Q. In the current economic climate, will **benefit levels** be eroded?

A. They probably won't be eroded, except for the pharmacy benefits. A statewide prescription drug formulary may be instituted.

Q. Is there **privacy** for the personal information in state-administered plans?

A. There is very little individual data in the system; the only people who have access to personal information are professionals who need the information to make care decisions. Statistical data is both encrypted and aggregated, so it is not possible to identify individuals. In addition, the Health Insurance Portability and Accountability Act (HIPAA) contains strict legal guidelines for information management.

Q. Is the elimination of **dual coverage** being reconsidered?

A. Some UW faculty and staff (11 or 12 percent) are adversely affected by the year 2002 benefit change that eliminates dual coverage for couples where both partners work for the State of Washington. This is especially troublesome for couples who are faculty members, many of whom have specifically been recruited based on the benefits offered to spouses.

Under the current rules, said Zodrow, if two partners work for the State, each can have primary coverage. But neither spouse can be designated as secondary on the other spouse's coverage, and children can be listed on only one parent's plan. This increases the cost of medical care for these employees, since they are no longer able to submit the unpaid portions of medical expenses to a secondary carrier.

About 5,000 families in the state had dual coverage; eliminating this coverage saved about 2.2 million dollars. "From an equity standpoint," said Zodrow, "this really means that the people who did not have dual coverage were subsidizing this to the tune of about 2 million dollars. On balance, we're looking for areas to save and this was the greatest good for the greatest number. It's not ideal for those 5,000 families, but it's just a hard decision that was made by the PEBB."

In response to Steve Olswang's question, Zodrow said there may be some interest in reconsidering this decision. But where, she asked, do we get another 2.2 million in savings in such a tight budget year? Do you want to replace it with increased premiums or decreased pharmacy benefits? What's the tradeoff?

The concern, said Olswang, is that we're treating one group of employees different from another - you can't cover your spouse if the spouse works for the state but if the spouse works somewhere else, you can. From an institutional perspective, said Olswang, losing this benefit further discourages faculty from entering public service, and makes recruitment of partner faculty more difficult.

Olswang commented that the benefits offered by the UW are competitive with peer schools and this is an asset in recruiting faculty. Salaries are generally not competitive, so benefits become doubly important.

Zodrow expressed a desire for a good working relationship and lots of dialogue with the Faculty Senate. She wants to hear different viewpoints, and would like to come back and talk to FCRIB in the future.

Department Visits

Diane Martin will email FCRIB members to begin scheduling these visits.

Future Meetings

Winter Quarter meetings: January 17, February 14, March 7

Spring Quarter meetings: April 11, May 9, June 6

The meeting was adjourned at 2:25 p.m. *Minutes by Linda Fullerton, Recorder.*