

**Financial Affairs Committee  
Minutes and Report  
(Meeting Date: 3/6/2001)**

The Financial Affairs Committee met Tuesday 3/6/2001.

Members Present: Keith Woodbury, Anup Agrawal, Terry Royed.

Members Absent: Wythe Holt, Lee Pike.

Visitors: Charlotte Harris and John Kasberg (Human Resources)

The meeting was held in the Bruno Library conference room at 8:30 AM. Ms. Harris and Mr. Kasberg were invited to provide an overview of the “health” of the University’s health insurance program. Charlotte Harris is the Director of Human Resources, and Mr. John Kasberg is responsible for Risk Management.

**1) Self Insurance and “Reserve” fund**

Mr. Kasberg stressed that the University is *self-insured* and that Blue Cross/Blue Shield acts only as administrator of the plan. Each month, BC/BS sends a bill to the University which is paid out of the “reserve fund”. This fund is simply an account in the university where employee and employer premiums are collected and out of which the bills are paid.

Mr. Kasberg shared a chart illustrating the decline in the reserve fund from 1998 (see attached [ReserveFundBalance.pdf](#)). In 1998, the fund held just over \$4.1M, but has steadily declined and for year 2000 was estimated to be \$1.0M (in fact, the current balance in the fund is less than the earlier projection).

**2) Premiums and Benefits History**

Mr. Kasberg stated that premiums paid by the employee and the employer have not been increased since 1994. In 1995 several cost saving measures were implemented including copays for outpatient visits. Eighteen new benefits have been added in the past five years while premiums have remained constant. A summary of changes since 1995 was distributed (see attachment [HealthCareChanges.pdf](#))

**3) Year 2000 Changes**

This year, in light of the decreasing reserve balance and with the goal of keeping premiums down, another round of cost cutting measures were implemented (see attachment [CostCuttingMeasures.pdf](#)). These measures are expected to save about \$1.4M this year.

The most significant money saver is the change in prescription copays. These changes (increase copays from \$10/\$15/\$25 to \$20/\$25/\$30 for generic/brand name/brand name when generic is available). These changes should save about \$900k.

**4) Future Fund Needs**

Mr. Kasberg was not able to offer a projection of how much new money will be needed in the next few years, although there is some certainty that increases in premiums are necessary. He said that perhaps this summer he will be able to assess the impact of the cost cutting measures from this year and will then be able to offer an

estimate.

## **5) Discussion**

During the discussion, Anup asked about BC/BS as the single carrier. Ms. Harris indicated that this was the first university where she worked and there was only a single health care provider. But she says that she is convinced that the current single source is the best plan, based on the performance and low cost of the plan, and further indicated that there was little choice for competitors within the state of Alabama. Mr. Kasberg stated that BC/BS has over 70% of this insurance market in Alabama and is in the best position to negotiate lower rates with providers.

Ms. Harris indicated one option UA has to reduce some costs is to restrict which employees have access to the benefit. She is surprised that the University offers health care coverage to *temporary* and *temporary part-time* employees. In here previous work experience, health care benefits were available only to permanent full-time employees.

Attachments: [ReserveFundBalance.pdf](#)

[HealthCareChanges.pdf](#)

[CostCuttingMeasures.pdf](#)