UNIVERSITY COMMITTEE ON FACULTY WELFARE

Minutes of Meeting
December 12, 2014

I. Health Care Task Force (HCTF) Update

Robert May, HCTF Chair

Update: Chair May updated the committee on several items of interest:

- Preliminary Open Enrollment migration data show Kaiser and HealthNet gaining membership, and UC Care losing membership. The size of the migration is not yet known, nor is the impact to the risk profile of the enrolled population. Locations with medical centers are experiencing the most out migration from UC Care.

Then the committee went into executive session, and no notes were taken.

II. Consultation with UC Care

John Stobo, Senior Vice President, Health Sciences and Services
Lori Taylor, Executive Director, Self-funded Health Plans
Dwaine Duckett, Vice President, Human Resources

Issue: Dr. Stobo recounted the goals of UC Care: 1) to enroll at least 10% of eligible employees during its first year; 2) to break even financially during the first year; 3) to achieve at least an 85% satisfaction rating. The first goal was met, but the second, as a stretch goal, was not. On a cash flow basis, UC Care was almost even, but on an accounting basis, UC Care is behind. The third goal was unmet; UC Care achieved only a 60% satisfaction rating in year 1. Overall, however, for a new plan, year 1 was good. Out-migrations statistics are less than expected, and more data are needed on the risk profile to assess plan cost impacts. Director Taylor added that migration was largely a swap with HealthNet Blue & Gold.

Discussion: Members asked why medical center locations saw a higher rate of out-migration in UC Care. Dr. Stobo noted that percentage of medical center employee enrollment was disappointing overall. Members speculated that privacy concerns or proximity to residences could contribute to this pattern; it is not known yet whether the migrations came from the general campus or the medical center.

Members noted that accessing satellite locations of UC medical centers can be difficult under UC Care, and that some locations have no UC Care providers, or at least no tier 1 UC Care providers. Dr. Stobo noted that geographic access issues were inevitable in any plan, and that consumer access concerns must be balanced with the economic considerations of the providers. The UC medical centers are providing a significant discount to UC Care, and many other tier 1 providers are doing the same. Because providers in Santa Barbara refused to offer a similar discount, they were too expensive for tier 1 and did not join it absent incentive. So the system contributed \$1.5M last year to off-set the high provider costs in Santa Barbara to include the physician provider group Sansum in tier 1; the Santa Barbara hospital, Cottage Hospital, remained in tier 2. Both are part of the HealthNet Blue & Gold network. Cottage and Sansum are exploring a merger, but there could be monopoly of care concerns. A possible UCLA satellite expansion into the Santa Barbara area is being considered, particularly if the

Cottage/Sansum merger is approved. Members asked how monopoly of care concerns could play out, and Dr. Stobo replied that the Federal Trade Commission is monitoring the situation and that he had testified to the FTC on the matter. The campus counsel has also been involved in in-house discussions, as have several chancellors.

Members asked about negotiations with John Muir Hospital in the East Bay. Dr. Stobo reminded the committee that in November, the Regents agreed to an affiliation with John Muir, so talks going forward should be easier. Nonetheless, the hospital must still agree to the discounted rates to join tier 1. Director Taylor added that negotiations are in-progress, but that the contract must be cost-neutral to be adopted mid-year.

Members asked about UC Care finances and costing models, especially after the UC Care premiums jumped so sharply for year 2. What types of reserves does UC Care have, and what is forecast for next year? Dr. Stobo answered that UC Care should be able to start funding its reserves next year. The FY 16 premium increase cannot be as steep, so costs will begin to level. The FY 15 premium increase target was to be no greater that medical inflation, but that goal was not met.

UC spends $1.5B annually on health care. Half a billion goes to Kaiser, and nearly $400M goes to HealthNet; that is money UC cannot recover. The medical centers transferred $500M to other UC entities last year, not just to clinical programs, but the medical centers get zero dollars from the state. The medical centers are also responsible for providing accessible and affordable care under MediCal. It is also important to note that employee premiums are unrelated to the actual cost of care because of the employer subsidy; the employer subsidy is also unrelated to the cost of care. VP Duckett reminded members that the risk adjustment process smooths costs across plans, that pay banding increases the employee share of premiums in a progressive manner, and that labor contracts limit the amount of annual increase to employees in many cases. Dr. Stobo noted that UC pays a higher percentage of the premiums for Kaiser than for UC Care, and VP Duckett noted again that paybands and labor contracts impact those figures. Members asked if union-only plans had been discussed, and VP Duckett indicated that they had been discussed, but dismissed since the plans already offered by UC were superior.

Members noted that the number of options offered by UC has diminished over time, and that plans are being moved in-house; will UC seek to offer an HMO plan of its own? Dr. Stobo answered that a costing study was underway, in part because the UC Care PPO plan premium increases were so steep. Members noted that PPO models were inherently more expensive. Dr. Stobo clarified that his office does not want to limit employee choice, but to make the plan more attractive by adding new features and delivery modes. In order to make UC Care more attractive, several changes are underway: 1) Teledoc is new for 2015, along with some other Blue Shield products; communications will come out in the first quarter; 2) primary care medical homes with email and care coordinators to improve quality outcomes are beginning; 3) the Athena network is growing; 4) e-consult between primary care physicians and specialists is new. Nonetheless, the main determinant in plan selection remains paycheck deduction.

Members inquired how UC Care plans to lower cost. Dr. Stobo indicated that telemedicine options attract younger enrollees, but members noted that such features were not unique to UC Care. Members also noted that accessing telephonic medical advice was difficult at some UC medical centers; capacity concerns are not limited just to hospital beds. Dr. Stobo said that plans are being developed to address capacity and access; the goal is to target 24-hour turnarounds for e-consults. Members asked if "red carpet" service was being considered, but others noted that a "red carpet" approach assumes name recognition which UC Care does not have. Further, "red carpet" costs have increased significantly over the last decade.

Members asked what points from the satisfaction surveys have been identified for remediation. Director Taylor noted that UC Care was not a significant outlier in the responses and that the main obstacles seem to be plan familiarity, not delivery of care.

III. Consultation with Academic Personnel

Susan Carlson, Vice Provost

1. Negotiated Salary Trial Program (NSTP) Update

   Issue: VP Carlson indicated that the draft assessment report is undergoing final edits. Highlights include: 154 participants on 3 campuses in year 1; the 154 received an additional $3.7M in salary and the report will note fund sources; leading fund sources were federal contracts and grants (48%), private contracts and grants (25%), and gift funds (8%). Data will also be cross-tabbed with summer salary (92% of participants receive summer salary). Additionally, workload and survey data will be included. Colleagues in participating departments were surveyed (~1000 faculty), and no significant changes were reported. This report will be supplemented in a capstone report after Year 4; that report will include a section on service impacts which will hopefully become clear over time. Staff and administrators in participating departments were also surveyed; the program was more popular the higher in the administration the respondent. Differences in teaching loads are evident, but the pre-date the trial. Impacts to graduate studies were not tracked, but self-reporting indicated no drop in advisees.

   Discussion: Members asked if intercampus transfers were associated with the program, and VP Carlson will investigate. Members also asked what fields participants came from, and VP Carlson indicated that it was left to campus discretion; at LA, Year 1 was limited to life sciences and public health. Other campuses' participants were concentrated in life sciences, physical sciences, and engineering. The final report should be ready in early 2015.

2. Salary Data

   Issue: VP Carlson reported that the EVCs have also been discussing salary and total remuneration. There are several new provosts in the system, and despite much conversation on on-scale, off-scale, and above-scale salaries, no consensus has yet emerged in that group. Salary redress strategies will also have to include equity responses.

   Discussion: Members asked if the health sciences compensation plan (HSCP) was part of the discussions, and VP Carlson indicated that there were other inequities in the HSCP to consider. Nonetheless, range adjustments increase HSCP covered compensation levels. The Y and Z components are beyond the scope of this type of salary action.

VP Carlson added that campus breakdowns of the total remuneration data should be available in 2015. Members asked if the revised data will include above scales, but VP Carlson indicated no. Members suggested that they will need to know the percentage of faculty on-scale, not just the average amount of off-scale salaries. Members also asked for norming data to be included.

Action: Members should send additional clarifications for salary data.

IV. Consultation with Budget Office

Patrick Lenz, Vice President

Issue: VP Lenz summarized the budget discussions at the November Regents meeting, highlighting the differences of opinion between the board and the governor regarding tuition and adequate academic support. Many commenters in the public sphere lack a comprehensive understanding of UC operations.

Discussion: Chair Dimsdale noted that many budget myths persist, and suggested that clear charts and tables could help illustrate the cash flows of the university. VP Lenz indicated that the campus long-range plans include targets, but communications and public image need to be improved. Sometimes there is a listening problem, not just an explaining problem, though. Some audiences internalize propagandistic talking points that are erroneous, but nonetheless repeated. Institutional talking points are being developed and will be disseminated in the new year. VP Lenz asserts that the entire UC community should be involved in advocacy efforts, not just the Office of the President. Members noted that a lack of understanding financial aid needs addressed directly, especially unmet needs such as living expenses. Indeed, the tuition sticker price can be misleading.

Members sought confirmation that 7000 unfunded students remain in the system, and VP Lenz verified the number, noting it is down from 11400. Still, $70M is needed to cover their funding.

V. Consultation with Academic Senate Leadership

Mary Gilly, Academic Council Chair

Update: Chair Gilly updated the committee on several items of interest:

- The recent Regents meeting saw lively discussion and public comment on the proposed tuition increases. Despite the Governor's opposition, the board passed the plan. In partial response, the Governor proposed a study group focusing on UC costs. Many items on the study group's agenda implicate areas of Senate authority, but graduate studies and research were not on the governor's list. The Governor was supported in his opposition by newly named Regents, former Assembly Speaker John Perez and Long Beach City College President Eloy Ortiz Oakley, both of whom were named just hours before the meeting convened.
- The Regents also received an update on the sexual assault response task force. Federal training requirements and extant UC trainings do not seem to align well; additional training may be needed.

VI. Chair's Announcements

Joel Dimsdale, UCFW Chair

Update: Chair Dimsdale updated the committee on several items of interest:

- The Academic Council met by teleconference on December 3. 1) Recommendations for doctoral student support were surprisingly controversial; there was resistance to top-down recommendations and a call for greater illustrations of proof of concept. 2) There was much discussion on the proposed revisions to APM 210.1.d (Review and Appraisal Committees) and how to value contributions to diversity. No clear consensus was reached.
- If faculty are to be enlisted as advocates for UC's budget position, faculty must be given useful information, not media talking points. Send suggestions for specific data points and illustrations to Chair Gilly for communication to the administration.
- Junior and new faculty need incentives for greater Senate service. A culture change may be needed at the divisions, despite the inclusion of professional and University service in CAP reviews, and despite the occasional inclusion of Senate service as a condition for Step VI and above.
- Total remuneration discussions are occurring on the campuses in December, and systemwide discussions incorporating their feedback will commence in January or February.

VII. Consent Calendar

1. <u>Minutes of Meeting, October 10, 2014</u>
   Action: The minutes were approved as noticed.
2. <u>Minutes of Meeting, November 14, 2014</u>
   Action: The minutes were approved as noticed.
3. <u>Response to Proposed Amendments to APM 080 (Medical Separation) and 330 (Specialists)</u>
   Action: The response was approved as noticed.
4. <u>Response to Proposed Amendments to APMs 133, 210.1.c, 220, 760 ("Stop the Clock" Provisions)</u>
   Discussion: Members noted that language was inconsistent regarding quarter and semester campuses, leading to an unequal number of total days allowed for family leave.
   Action: The response was approved as amended.
5. <u>Response to Proposed Amendments to APM 201.1.d (Review and Appraisal Committees</u>)
   Action: The response was approved as noticed.

VIII. Task Force on Investment and Retirement (TFIR) Update

Shane White, UCRSAB Faculty Representative and TFIR Member

Update: Professor White updated the committee on several items of interest:

- UCRS participation numbers for FY 13-14 have been released. The lump-sum cash-out rate remained flat at 21%. Both the market and the actuarial value of assets (MVA and AVA, respectively) improved, and the funding level rose to 80% from 76%. The unfunded liability is $12B. Good early returns from FY 14-15 Q1 need to be verified. Some of the improvement in the funding ratio can be attributed to the $700M loan that was deposited in July. EVCs have reported that they like the loan repayment schedule's regularity. Additional borrowing will be considered in the spring when more data is available.

- The fund menu management project is in its third phase, wherein different management choices will be made available. The brokerage window is not changing, but the fee will drop.
- The Office of the Chief Investment Officer (OCIO) continues to investigate sustainable investing options.
- OCIO is also still developing guidelines and best practices for UC Ventures.
- More modeling projections are being discussed within TFIR before being sent to the administration. Low inflation needs to be modeled, and some have asked for confidence intervals and stochastic modeling. Stochastic modeling is not industry standard, so the University's actuaries have declined to conduct any.

Discussion: Members asked if the assumed rate of return needed adjusting during a period of prolonged low inflation. Professor White noted that it is inappropriate to apply standards from one type of fund to another type – goals and risk profiles differ significantly. Members also asked how much UC spent on brokerage fees? Prof. White indicated that OCIO is also still investigating those costs. OCIO may increase in-house staff management to save some fees, but the opportunity cost is not fully understood yet.

IX. Divisional Reports

Note: Item deferred.

X. Systemwide Review Item

1. <u>Proposed Presidential Policy on Open Access</u>

   Issue: The proposal would expand the Senate policy to the entire UC community, including non-Senate faculty and student publishers. The goal is to ensure broad public access to UC research. The proposal would apply to journal submissions only. Faculty would retain broad rights, including copyright. Some of the language may be too jingoistic, and the proposal would be strengthened by decision trees and examples.

   Discussion: Members reported recurring issues regarding the ease of opting out of the policy. Members also noted that the proposal would parallel NIH regulations. Members agreed that more accessible language would improve the proposal. Some noted that faculty administrative burden could increase under the proposal, and that the policy had no enforcement mechanism. Long-standing open access concerns remain: no national best practice has yet emerged, negotiations with publishers need improvement, and CAPs remain uncertain how to value open access depositions against peer-reviewed journal submissions.

   Action: Analyst Feer will draft a response for electronic approval.

XI. Total Remuneration

Discussion: Members reported on local discussions. Opinions vary widely as to how best to use salary funds. Many members felt that applying the 3% across-the-board (ATB) would be most equitable: 3% is too small to parse into different categories, and 3% is not enough to solve any identified problems, so it should be applied evenly so no one falls further behind. Some felt that the 3% should be applied to on-scale salaries only, in order to reduce the gap for some subpopulations and for morale considerations. Members agreed that money should come from UCOP with usage guidelines; it should not be sent to the EVCs' "black boxes". Across-the-board applications do not address standing inequities, though: gender and minority pay gaps would remain, the loyalty penalty would remain, and the incentive structure to secure out-side offers to leverage for meaningful salary increases would remain intact. Nonetheless, ATB applications are administratively the easiest.

The merit pool remains at 1.78% of covered compensation and comes from a separate fund source. Separate funds should be established to address long-standing inequities.

Action: Chair Dimsdale will draft a response for electronic approval.

XII. New Business

1. Child care and family friendly policies will be a discussion topic in the spring.

Meeting adjourned at 3 p.m.

Minutes prepared by Kenneth Feer, Principal Analyst
Attest: Joel Dimsdale, UCFW Chair