

**Minutes of Meeting
February 13, 2015**

I. Chair's Announcements

Joel Dimsdale, UCFW Chair

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

- A total remuneration work group has been established consisting of the chairs of UCFW, UCPB, UCAP, and UCAAD from the Senate, and 3 campus EVCs (B, SD, and SC) and Vice Provost Carlson from Academic Affairs at UCOP.
- Proposed amendments to APM 210.1.d (Review and Appraisal Committees) are being redrafted again.
- The Academic Council endorsed the open access policy proposal, but with several caveats.
- The Academic Assembly passed proposed revisions to SBL 155 (Computing and Communications).
- A volunteer is sought to attend an innovation and entrepreneurship workshop at Davis in April.
- The UC Care HMO option has been referred to a working group for further evaluation. HCTF Chair May and Irvine Representative Parker are the Senate participants.
- Campus Climate responses will be discussed next month. Members are encouraged to review local plans in advance.
- HCTF will request a histogram from Human Resources depicting faculty and employee family size, cross tabbed with health plan selection, income band, and other variables.

II. Consent Calendar

1. DRAFT Minutes of Meeting of December 12, 2014
Action: The minutes were approved as noticed.
2. DRAFT Minutes of Meeting of January 9, 2015
Action: The minutes were approved as amended.

III. Consultation with Chief Information Officer

Tom Andriola, Chief Information Officer

David Rusting, Chief Information Security Officer

Issue: A recent hack of Anthem insurance may have exposed thousands of UC faculty, staff, and students to fraud risks. Questions on the availability of "hack insurance" and the extent of UC's liability have arisen. Hacks at the medical centers could carry significant fines.

CIO Andriola said that UC is taking an enterprise approach to cybersecurity. The Offices of General Council; Ethics, Compliance, and Audit Services; Risk Management; and Information Technology Services (GERI) are cooperating in this area. However, because the environment is diverse, many decisions are delegated to local authorities. Systemwide committees, including

the Information Technology Policy Security Group and the [Information Technology Leadership Council](#) (ITLC), have been convened to share best practices and to identify the most appropriate risk management framework. UC must balance openness and security.

Discussion: Chair Dimsdale asked how much it cost companies to provide credit monitoring and repair services following this type of hack. Mr. Rusting said that monitoring services range between \$50-99/person, but that repair services are rare, highly variable in quality, and usually quite expensive. Monitoring services are not routinely offered as part of a benefits package, but Risk Services does have fraud insurance for the university. If hacks are traced to UC error, individuals may have options for redress. Members asked what actions UC was taking to protect individuals, not just the enterprise. Mr. Rusting noted that it is difficult to determine where hacks occur, and members noted that individuals face even larger obstacles. It was noted that the ARAG legal plan covers identity theft, but the extent of coverage and how it compares with the market are not known.

Members asked if adequate resources were being made available to meet UC's cybersecurity needs, and CIO Andriola indicated that a first stage is to identify the most pressing needs and then secure resources for them. The importance of local leadership in this area makes budget allocations hard to assess. Some campuses have too much redundancy, and others need more top-down command-and-control ITS structures – a new approach for many at UC. Varying levels of security may emerge to parallel different types of communications (medical records versus standard email, for example), and UC's affiliation with the national labs could be well-leveraged in this area.

IV. Health Care Task Force Update

Robert May, HCTF Chair

Update: Chair May updated the committee on several items of interest from the HCTF meeting of January 21, 2015:

- The Sutter/Blue Shield contract dispute has been resolved. The actual increase is not known, and the contract will expire in 2 years. Impacted members can expect to reach their out-of-pocket maximum sooner since consumers will see higher co-insurance rates; the cost to the UC is unchanged.
- HCTF began discussions of pre-funding retiree health. The security of the “guarantee” of retiree health benefits has been attacked in the press recently, and UC's budget woes are well-known. Background can be found in the PEB documents, but new GASB regulations have rendered some cost estimates out-of-date.
- Pharmacy costs are sometimes exorbitant. A handful of treatment courses, especially for Hepatitis C, are responsible for an overwhelming majority of pharmacy costs. In some cases, treatment has been denied due to cost. Ethics and finances must be balanced.
- HCTF met with Andy Sekel, President of Optum, the provider of UC's mental health services. Optum expects mental health delivery to be increasingly integrated with general practice health care, and they have been testing software designed to help coordinate care. For example, the overlap between depression and diabetes suggests integrated care could yield better health outcomes. Access concerns were raised, but Mr. Sekel stood behind his network. The question remains if the mental health carve

out is the most cost effective delivery option; it is not clear that there is a model that routinely generates better mental health outcomes.

- A study group has been given 60 days to assess the feasibility of launching a UC Care HMO product for 2016.

V. Consultation with Human Resources

Dwaine Duckett, Vice President

Mike Baptista, Executive Director, Benefits Programs and Strategy

1. Anthem breach:

Issue: Anthem reported that 80 million records were potentially exposed, and they responded quickly. Notifications are being sent, and communications are being handled by Anthem.

Discussion: Members asked if credit monitoring or even repair could be added the benefits package UC offers. Mr. Baptista noted that ARAG covers monitoring and repair, once you contact them. At present, credit protection is marketed to individuals; there is no group product available.

2. Family coverage:

Issue: UCFW would like more detailed data on the population insured through UC-sponsored plans.

Action: A data request will be submitted in writing.

3. Retiree health funding:

Issue: The PEB materials from 2009-10 are the latest documents on this topic. The funding onus would fall to campuses and employees. It is felt that protecting retiree health like a “vested” benefit would yield advantages in recruitment and retention efforts; retiree health is a clear advantage to UC in terms of total remuneration. The normal cost to fund retiree health is about 3%, but the \$14B unfunded liability presents generational fairness issues.

Discussion: Members asked if there are comparators and best practices in this area, and HR will research further. It is not known if contributions to a retiree health fund would be pre-tax.

4. Self-insurance comparators:

Issue: It is unknown how other institutions with medical centers that self-insure their populations have structured employee privacy protections and how governance documents address the inherent tensions between keeping employee costs down, providing effective and affordable health care, and protecting the medical center’s fiscal well-being.

5. Santa Barbara health care access:

Issue: Access concerns in Santa Barbara have received the attention of the Federal Trade Commission.

Action: UCFW will try to locate FTC contact information for public comment.

6. Mental health:

Update: Gina Fleming, Medical Director for UC Self-insured Health Plans, is the contact person for mental health strategy. Teledoc is being touted for rural areas.

VI. Consultation with UC Care

John Stobo, Senior Vice President, Health Sciences and Services

Lori Taylor, Executive Director, Self-Funded Health Plans, Risk Services

Issue: Director Taylor reported that there was little open enrollment migration, including minimal changes within the Medicare population. The end of year cash flow was positive, but accounting lags are expected to yield a deficit of about \$4M. This total is considered a success given that planning data were estimates only. Some new providers are being added, and some changes to the plan design are being implemented, including Teledoc.

Discussion: Members asked how the Blue Shield concierge service was being evaluated, and Director Taylor noted that quality metrics are submitted quarterly and can be shared. Members also asked if UC was monitoring satisfaction with Blue Shield, and Director Taylor reminded the committee of the satisfaction survey conducted last year by HR. Blue Shield conducts internal surveys for their own quality measurements.

Members asked what impacts were expected from the Sutter contract resolution. Director Taylor said there should be no significant cost impacts, but there may be more enrollees who reach the out-of-pocket maximum, though.

Members then asked about the impetus for the UC Care HMO discussions. Dr. Stobo pointed to several factors: 1) Care delivery at the UC medical centers is among the most expensive in the state; a lower cost delivery method is needed. 2) UC Care did not meet its goal of having lower than market premium increases, in part due to adverse selection, so a larger pool of enrollees is needed. 3) Of the \$1.5B in health care premiums UC spends, \$1.2B of it goes to non-UC insurers; keeping money "in house" would benefit the system. Preliminary plan design ideas would cap annual increases to UC at 3% for 4 years, and employee premiums would be capped at the 2015 level for 4 years. Medical center chiefs and chancellors from medical center campuses have expressed enthusiasm for the HMO model and investigation. In order to launch the program in 2016, external partners would be needed. Members asked why 2016 is the targeted launch date, citing the hurried launch of UC Care and the many problems associated with it. Dr. Stobo suggested that the UC Care launch languished and did not benefit from the extra time; moreover, the external market is changing, and UC needs to keep up as best it can. Members asked if the 3% rate of increase is supported by financial planning data, and how the medical centers could absorb any cost differentials. Dr. Stobo indicated that forgoing a 3% premium increase, for the size of the population impacted, would prevent the medical centers from realizing about \$7M/year, which is marginal for the medical center budgets. Members asked what would happen to premiums in year 5, and Dr. Stobo said the medical centers have to adapt or fail.

Members asked about access at non-medical center campuses, and Dr. Stobo suggested that satellite offices could be established. The inclusion of Santa Barbara's Sansum provider group in UC Care Tier 1 would again be subsidized by the rest of the system, if that course of action is again approved. There is no plan yet to address competition in the HMO market. Members noted that significant changes to the premium contributions would have corresponding impacts on total remuneration and the value of benefits. Members added that UC Care will be subject to the Affordable Care Act's "Cadillac" tax, and asked if tax penalty assistance would be included as part of the plan going forward. Dr. Stobo noted that such specifics had not yet been considered.

VII. Consultation with Senate Leadership

Mary Gilly, Academic Council Chair

Dan Hare, Academic Council Vice Chair

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

- Nominations are being accepted for the next Academic Council Vice Chair until March 16.
- Current and former politicians on the Board of Regents have altered the tone and dynamics of the board.
- A Regents' item tying coaches' salaries to student athlete academic performance was tabled as it did not go far enough.
- Implementation of the Regent's Task Force on Sexual Assault recommendations is being discussed with the Office of Ethics, Compliance and Audit Services.
- The Committee of Two had its first meeting on January 27. Members should send names of external experts who could bolster UC's case.
- The administration continues to look for alternate sources of revenue from the state, such as from Prop 2 funds or Cap and Trade funds.
- The Lab Fee Research Program is in abeyance following loss of funds to a security breach fine.
- A pilot program at 15 community colleges would allow them to offer non-duplicative Bachelors' degrees in fields such as mortuary science. Unintended consequences could impact upper division prerequisites and transfer guarantees.
- BOARS is working with the administration and others to identify and streamline major requirements for transfer students.

VIII. Budget Engagement

Aimée Dorr, Provost

Debbie Obley, Associate Vice President, Budget

1. Governor's Budget

Issue: AVP Obley reported that the governor rejected UC's tuition stabilization plan and offered only the previous 4% base budget augmentation, this time contingent on non-resident enrollment and tuition caps. \$25M for deferred maintenance was included on a one-time basis, but UC still identifies a \$160M shortfall. The Committee of Two is looking closely at UC cost structures. Three panelists joined the first meeting: AAU President Rawlings, ASU President Crow, and UC Davis Provost Hexter. The governor is sending representatives to each campus; three visits have been scheduled, and the rest will occur after the March Regents meeting.

Discussion: Members asked what Senate representatives were being invited to the campus visits, and AVP Obley said that no set list has been named. Since ASU President Crow is well known as an advocate for online education, members asked if that practice was viewed favorably by the Committee of Two. While online education is no longer viewed as a panacea for higher education, it could still have a useful place. The student regent, among others, has spoken eloquently against overreliance on online education.

Members asked if the proposed non-resident cap would freeze campuses at their current levels or be a systemwide cap that UC could redistribute internally. AVP Obley replied that various options were under consideration. Berkeley and Los Angeles feel they have reached a stasis point with non-residents, but other locations have room and the desire to grow. Many misconceptions regarding non-residents remain to be countered.

2. Budget Engagement

Issue: Provost Dorr referred members to the agenda enclosures, noting that the packet contained a lot of useful information to help educate colleagues, the public, and legislators about UC budget realities. Dissemination is being handled by the campuses.

Discussion: Members asked if students had been similarly engaged, and Provost Dorr answered yes. Members noted that retirees and active staff could also be called upon to advocate for the university in a similar fashion. Members asked if the target for the advocacy was only the governor, and Provost Dorr indicated that “thought leaders” statewide could usefully be engaged.

IX. Task Force on Investment and Retirement Update

Jim Chalfant, TFIR Chair

Issue: Chair Chalfant updated the committee on several items of interest:

- TFIR expects additional borrowing for UCRP this year, but a final decision will not be made until spring. The goal of additional borrowing is to shrink the unfunded liability.
- TFIR will request additional modeling on UCRP’s funded ratio to show the impact of various funding tactics; all new models will be based on 14% employer contributions.
- Segal, the university’s actuary, will conduct an experience study for UCRS this spring; findings could lead to adjustments in inflation assumptions, mortality assumptions, and post-retirement behavior patterns.

Action: Segal will be invited to a spring meeting to discuss further the experience study and related topics.

- TFIR has been regularly updated on a funds menu management project being led by HR; good communications are being prepared, and the outcome should be a more user-friendly Fidelity window.

Action: Analyst Feer will circulate background materials on the funds menu management project.

X. New Business

1. Total Remuneration Update

Issue: UCFW’s sister committee on Planning and Budget (UCPB) has submitted a detailed recommendation to address Total Remuneration. In particular, they drafted principles that should guide remuneration redress plans.

Discussion: Members appreciated that UCPB wanted to keep the scales competitive, but were unclear as to how the recommendations could be funded in the current environment. The principles do not make clear how to evaluate faculty remuneration vis-à-vis other competing demands. Some members noted that the UCPB recommendations could be read as an effort to suppress off-scale salaries. Given the

external political realities, the scales will never be truly competitive, especially when one considers variations by disciplines and campuses. Some suggested that the meaning and size of off-scale salaries have changed over time; retention is offered in terms of steps, not dollars. Could UC offer four steps with matching salary increases rather than one step with an off-scale salary supplement? Some asserted that the scales were already unrelated to merit, in practice. Members of the HSCP noted that scale increases can lead to a trade-off with other salary fund sources, often yielding no net increase in remuneration. Another consideration is the value of benefits versus cash compensation.

If this year's 3% is applied across-the-board, it will be left to subsequent years to close the remuneration gap. Ideas to close the gap were brainstormed: to target the most underpaid subpopulations; to shrink the size of off-scales over time? Members suggested that a systemwide goal should be to raise the minimum threshold, and that the campuses could best address specific gaps. All agreed that a simpler plan was more likely to be adopted and implemented.

Chair Dimsdale summarized the majority committee opinion: a two-step process with 3% range increases annually and 3-X to the scales alone in subsequent years (with the off-scale increments not being off-set).

Meeting adjourned at 3:25.

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