

MINUTES OF A SPECIAL MEETING
BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA
THURSDAY, FEBRUARY 6, 1975

A special meeting of the Board of Regents of the University of Oklahoma was held on Thursday, February 6, 1975, in Dining Room 5 of the Oklahoma Memorial Union, Norman, beginning at 9:15 p.m.

The following were present: Regent Jack H. Santee, President of the Board, presiding; Regents Mack M. Braly, Thomas R. Brett, Bob G. Mitchell, M.D., and K. D. Bailey.

Absent: Regents Walter Neustadt, Jr. and Richard A. Bell.

The following were also present: President Paul F. Sharp, Vice Presidents Dean and Nordby, Mr. Joseph C. Ray, Executive Assistant to the President, Dr. Thomas H. Tucker, University Chief Counsel and Mrs. Barbara H. James, Executive Secretary of the Board of Regents.

Regent Santee said this special meeting of the Board was convened to consider a previous action taken by the Board on the group health insurance program. At the January meeting the authority to make a decision on the bids, which were to arrive between regular meetings, was delegated to the Administration and Organization Committee of the Regents in accordance with a practice of the Board when action is required to be taken between regular meetings. Mr. Santee said this committee met on January 30, there being only one member of the committee in attendance at that time, that committee member did go ahead and function and approved the recommendation of the Fringe Benefits Committee and the recommendation of President Sharp that the bid of American Fidelity Assurance Company be accepted as the lowest and best bid. Following that meeting, the insurance companies were notified of the action taken. The matter has created a great deal of interest, Mr. Santee said, and therefore this special meeting was called to reconsider the action as taken by the Board.

Mr. Santee asked Mr. Harper to review briefly the presentation that was made to the administration and to the Regents' Committee.

Mr. Harper presented the following report:

Bids were received from seven insurance companies to carry the University's group health insurance program. The bid from Phoenix Mutual Insurance Company, Mr. Harper said, was limited to major medical benefits and was not considered in the evaluations conducted by the Norman Campus Fringe Benefits Committee. Essential details of the bids from American Fidelity Assurance Company, American National Insurance Company, Atlas Life Insurance Company, Blue Cross and Blue Shield, Lincoln Income Life Insurance Company, and Lincoln National Life Insurance Company were presented to the committee and reviewed. The data for American Fidelity and American National is as follows:

AMERICAN FIDELITY ASSURANCE COMPANY

| | <u>Regular Major Medical</u> | <u>Alternate Major Medical</u> |
|--------------------------------|------------------------------|--------------------------------|
| Employee | \$ 480,102 | \$ 507,150 |
| Dependent | 509,642 | 541,346 |
| Class II w/Medicare | 240 | 264 |
| Class II w/o Medicare | 1,157 | 1,229 |
| Retiree w/Medicare | 25,200 | 27,720 |
| Retiree w/o Medicare | 5,112 | 5,400 |
| Dependent/Retiree w/Medicare | 5,040 | 5,544 |
| Dependent/Retiree w/o Medicare | <u>14,660</u> | <u>15,572</u> |
| | \$1,041,153 | \$1,104,225 |

Res = $1/6 \times 1,041,153 = \$173,526$
 $\% = 16 \frac{2}{3}$

Res = $1/6 \times 1,104,225 = \$184,038$
 $\% = 16 \frac{2}{3}$

Retention: $2.5\% \times 1,041,153 = \$26,029$
 $1.85\% \times 700,000 = \underline{12,950}$
 \$38,979

Retention: $2.5\% \times 1,104,225 = \$ 27,606$
 $1.85\% \times 735,000 = \underline{13,598}$
 \$ 41,204

$\% = \frac{38,979}{1,041,153} = 3.7\%$

$\% = \frac{41,204}{1,104,225} = 3.7\%$

AMERICAN NATIONAL INSURANCE COMPANY

| | <u>Regular Major Medical</u> | <u>Alternate Major Medical</u> |
|-----------------------|------------------------------|--------------------------------|
| Employee | \$ 354,870 | \$ 368,935 |
| Dependent | 410,884 | 427,370 |
| Class II w/Medicare | 114 | 119 |
| Class II w/o Medicare | 933 | 971 |
| Retiree w/Medicare | 11,970 | 12,449 |
| Retiree w/o Medicare | 3,779 | 3,928 |

| | <u>Regular Major Medical</u> | <u>Alternate Major Medical</u> |
|--------------------------------|------------------------------|--------------------------------|
| Dependent/Retiree w/Medicare | 2,394 | 2,490 |
| Dependent/Retiree w/o Medicare | 11,820 | 12,294 |
| | <u>\$ 796,764</u> | <u>\$ 828,556</u> |
| Retention= 6.9% x 796,764= | \$54,977 | 6.9% x 828,556= \$57,170 |

The following summary, with the alternate major medical provision and assuming \$735,000 in annual paid claims, was also presented:

Norman Campus with Alternate Major Medical

(Assumes 735,000 Annual Paid Claims)

| Company | Annual Premium | Percentage | Annual | Incurred Unreported | Rate Stabiliza- tion | 1st year Excess |
|----------------------|----------------|------------|----------|------------------------|----------------------------|--------------------|
| American Fidelity | \$1,104,225 | 3.7* | \$41,204 | \$184,038 | Optional | \$143,983 |
| American National | 828,556 | 6.9 | 57,170 | 153,125 | None | (116,739) |
| Atlas | 1,023,418 | 4.7* | 47,775 | 168,000 | None | 72,643 |
| Blue Cross B. Shield | 1,093,879 | 8.5* | 92,980 | 270,844 | (4,945) | (4,945) |
| Lincoln Income | 1,670,026 | 9 | 150,302 | Negotiable | | |
| Lincoln National | 1,034,964 | 9.26 | 95,838 | None | None | 204,126 |

* American Fidelity retention percentage is a derived percentage based on 2.5% of first year's premium plus 1.85% of paid claims.

* Atlas retention percentage is a derived percentage based on 6½% of paid claims.

* Blue Cross and Blue Shield retention percentage is based on 5.5% for administrative expenses and 3% contribution for the plan's contingency reserve (non-refundable)

On advice of Legal Counsel, Mr. Harper said only the bids from American Fidelity and Blue Cross and Blue Shield were referred to the Regents' Committee as sufficient in terms of the bid specifications. A copy of the bid specifications was available.

Mr. Harper said the Fringe Benefits Committee (Norman Campus) recommended acceptance of the bid from American Fidelity Assurance Company with the alternate major medical as best. The coverage provided is a significant improvement over previous plans, the premium rate appears reasonable and the retention rate (representing the true cost to the group for prepaid health care) is the lowest of the bids received.

Acceptance of the recommended bid will make the following examples of benefits improvements available to the faculty and staff and their dependents: (a) an increase in the surgical schedule from a \$400 to a \$500 one; (b) payments for physicians visits to patients in the hospital are increased from \$5.00 per visit with a \$450 maximum to \$7.50 per visit with a \$675 maximum; (c) higher maternity benefits including \$200, rather than \$100, for normal delivery; (d) an increased limitation on daily room cost from \$12 per day to \$15 per day in excess of the Basic Coverage; (e) increased major medical maximum benefits from \$50,000 to \$250,000; (f) increased the major medical reimbursement provisions from 80% of costs after a \$100 cash deductible to 80% after a cash deductible of \$100 for up to \$2,000 and 100% thereafter to the maximum benefit level.

| <u>Category</u> | <u>Old</u> | <u>New</u> | <u>\$ Increase</u> | <u>% Increase</u> |
|--------------------------------|------------|------------|--------------------|-------------------|
| Employee | \$13.12 | \$18.75 | \$5.63 | 42.9% |
| Dependent | 25.92 | 34.15 | 8.23 | 31.8% |
| Class II w/Medicare | 13.12 | 11.00 | (2.12) | (16.2%) |
| Class II w/o Medicare | 25.92 | 34.15 | 8.23 | 31.8% |
| Retiree w/Medicare | 13.12 | 11.00 | (2.12) | (16.2%) |
| Retiree w/o Medicare | 13.12 | 18.75 | 5.63 | 42.9% |
| Dependent/Retiree/w/Medicare | 13.12 | 11.00 | (2.12) | (16.2%) |
| Dependent/Retiree/w/o/Medicare | 25.92 | 34.15 | 8.23 | 31.8% |

Based on January, 1975 enrollments, the University's estimated share of costs from E&G funds will rise \$30,400 for the balance of 1974-75 and \$91,200 on an annualized basis thereafter. Like costs from other sources will be approximately \$22,300 and \$66,900 respectively.

Mr. Harper also reviewed the program objectives for the Norman Campus group insurance program and other matters considered by the Fringe Benefits Committee in recommending that the award be made to American Fidelity Assurance Company.

Representatives of all the insurance companies who bid on this program, except Lincoln National, were present. These representatives included Mr. Warren Collins from American Fidelity, and Mr. Richard Sackville of American National.

At this point questions were addressed to the representatives of the insurance companies, particularly Mr. Collins and Mr. Sackville, pertaining to the various features of their bid including the premiums, the retention percentage, the annual retention in dollars, and the estimated first-year excess. The Regents also asked questions regarding the size of the insurance companies, their stability and the method of computing the various premium rates.

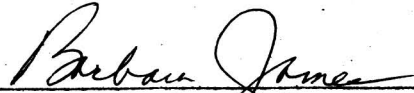
After lengthy discussion and after reviewing all aspects of the bids of American National and American Fidelity, Regent Bailey moved the Board reconsider the previous action in awarding the bid to American Fidelity Assurance Company and take action to award the contract with the alternate major medical feature to American National Insurance Company for the Norman Campus effective March 1, 1975.

February 6, 1975

13323

The motion carried.

There being no further business, the meeting adjourned at 10:25 p.m.



Mrs. Barbara H. James, Executive Secretary
of the Board of Regents

Others present at all or part of the meeting:

Mr. Leonard Harper, Director of Personnel
Ms. Cathy Kidd, Student President
Mr. Kurt Ockershauser, Legal Counsel
Mr. Jack Cochran, Director of Public Relations
Mr. David Graham, Media Information Office
Mr. Richard Sackville, American National Insurance Company
Mr. Warren Collins, American Fidelity Assurance Company
Mr. Stephen Mock, Atlas Life Insurance Company
Mr. Lloyd Lamirand, Blue Cross and Blue Shield
Representative of Lincoln Income Insurance Company
Ms. Judy Hargrove, the Daily Oklahoman
Ms. Lynn Hamilton, the Oklahoma Daily
Mr. Jim Bross, the Norman Transcript
Mr. Rick Oyler, the Tulsa World