

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Organizational Review: Status Report
Date: July 8, 2002

Recommended Action:

Status Report

1. Receive a status report on the Organizational Review.
2. Approve the five recommendations noted in this memo.

Executive Summary:

This memorandum provides a brief status report on Phase II of the Board of Regents Organizational Review and requests Board approval of recommendations for five completed projects. The twelve Phase II projects are all underway. Several are near completion and all, according to the project "lead persons," are on schedule. Five projects were presented to the Priority Issue Study Group (PSG) on the Organizational Review for approval of recommendations in June and are presented to the full Board of Regents in July. These include:

1. Reduce number of Regent meetings (II-1);
2. Conduct Review of Regent Employee Health Insurance (II-5);
3. Streamline ISD process for individual education plan (II-8);
4. Review composition of Advisory Boards (II-9); and
5. Monitor Athletics (II-12).

The balance of the projects are reported to be on schedule and a status report will be presented to the full Board in September.

Strategic Plan:

This effort primarily addresses KRA 4.0.0.0 and its various sub-parts.

KRA 4.0.0.0 Meet the objectives of the Board and institutional strategic plans and provide effective stewardship of the institutions' state, federal, and private resources.

Background:

Five projects presented for review

In January the Board approved the recommendations of the PSG regarding the Phase I report on the Organizational Audit developed by MGT of America. At that time the Board approved a division of the Phase II projects between MGT of America and the institutions/Board Office. These projects are all moving forward at various stages toward completion by August and presented for Board approval in September. At this month's meeting, five completed projects are presented for approval.

Analysis:

Five Completed Projects:

Below are the conclusions and recommendations for each of the five completed projects.

Recommendation II-1
Reduce Number of Board Meetings

II-1 Reduce the number of Board Meetings, reduce costs, and improve efficiency of the meetings.

Several actions have already been taken to implement this recommendation. First, the February and December Board meetings have been eliminated in the Board's future meeting schedule. Secondly, attempts have been made to reduce the length of Board meetings when ever feasible. Third, every meeting is planned, as much as possible, to make efficient use of Board, staff and institutional time.

Recommendation: The Board and the Board Office should continue to take necessary actions to minimize Board meetings and maximize the effectiveness and efficiency of the meetings to the extent possible.

Recommendation II-5
Review Health Insurance

II-5 Conduct review of Regent employee health insurance.

The institutions have each prepared reports based on a project work plan. Each report addressed changes in the university-administered health plans over the years and correlated changes made in the plan design to the reduction in premiums paid. In addition, the report prepared by Michael Murray in June 1996 was reviewed, and it was determined that the conclusions reached in that report continue to be valid (this relates to the issue of Regent-wide policies and concluded that such plans are not desirable at this time). The reports also contain narrative as to what the institutions might do in the future in an effort to contain costs.

Recommendation: The Board should request that each institution pursue the suggestions for future cost containment.

Recommendation II-5
(continued)

- In response to the MGT recommendation, an interinstitutional workgroup was established to review existing health insurance programs; evaluate the changes made in the past to control costs; determine if the recommendation made by an outside consultant in 1996 that combining the individual university plans into one would not be advantageous was still valid; and, look at possible modifications for future cost containment. The full report from the workgroup is summarized below and is in the Regent Exhibit Book.
 - In recent years, the universities have attempted to control the rising cost of health insurance coverage by changing the design of their plans, adding new managed care plans, by changing the premium structure, and expanding university wellness initiatives.
 - Much of the increase in the cost of health insurance experienced by the Regent institutions is attributable to the rate of increase of state administered plans exceeding the rate of increase in the Regent administered plans. It is unlikely the employees covered by the state administered plans will ever be placed in Regent plans because the Regent employees in the state plans are in statewide collective bargaining units with employees of other state agencies and their insurance is determined by the state as a mandatory subject of bargaining.
 - In an effort to control costs, the universities have exercised a great deal of flexibility in making modifications to various health plans and also in shifting more of the costs of coverage to the employees.
 - This same flexibility does not exist for the State of Iowa covering in excess of 7,000 AFSCME-covered employees at the universities and all employees at the special schools and Board Office.
 - The factors considered in the 1996 Murray Report leading to the conclusion that the universities should continue to administer individual health insurance programs are valid today. While the environment of health insurance decision-making is dynamic, there appear to be no new meaningful or persuasive factors to consider in analyzing the Murray Report. Therefore, the Murray Report conclusion that continuation of the individual university health insurance programs is appropriate, is supported by the Regent institutions and the Board Office.
- University of Iowa
- Since 1990, the University has had a cafeteria plan and offered three traditional health insurance plans. Four coverage options are available – single, employee with spouse, employee with children, and family.

Recommendation II-5
(continued)

- In 1995, the University created two managed care products, UICARE and UISELECT. Currently, 45% of the active contracts are in these managed care products.
- The University of Iowa has approximately 11,197 contracts in its health insurance plans.
- The University has made plan modifications as listed below in an effort to control costs.
 - Adding an up-front deductible to the three indemnity programs applying to all outpatient non-physician charges, which saved an estimated \$1 million.
 - Implementing a disease management program for diabetes for the managed care products.
 - Eliminating the need for referrals to specialists within the managed care product, UICARE resulting in a 16% enrollment increase.
 - Increasing deductibles and out-of-pocket limits substantially.
- In the last five years, the employer share of premiums for the CHIP III plan has increased 25% for single coverage and 26% for family coverage.

Iowa State University

- In 1997, the University instituted the ISU Plan in an effort to contain rising benefit costs. The ISU Plan is a self-funded flexible benefits arrangement.
- The University estimates that initial savings from implementing the ISU Plan versus continuing with the old plans to be \$2 million. The cumulative effect of subsequent plan design changes has resulted in further savings of \$1.7 million per year.
- The ISU Plan offers employees the options to choose between four health plans – an indemnity plan, a preferred provider organization plan (PPO), a health maintenance organization and a catastrophic plan.
- The replacement of the original point of service plan (POS) by the PPO and changing the indemnity plan from 90% to 80% reimbursement saved an estimated \$1.2 million.
- Adding a three-tier pharmacy program in the current plan year will result in an estimated savings of \$500,000.
- Iowa State University has 5,080 contracts in its health insurance programs.

Recommendation II-5
(continued)

- ISU has seen a significant shift in the number of employees who voluntarily elect managed care plans. In 2002, 76% of the population elected managed care options.
- In the past five years, the employer contribution for family coverage has increased by 48.5% and for single coverage by 55%.

University of
Northern Iowa

- UNI offers a traditional indemnity plan to faculty, P&S staff and supervisory merit staff. An HMO is offered to administrators, P&S staff and supervisory merit staff. An HMO is not available to organized faculty.
- Other than moving to a self-funding arrangement for the indemnity plan in 1986, the benefits offered by the University have not changed significantly in the past 16 years. In the early 1980's, the out-of-pocket maximum for the indemnity plan was raised from \$100 to \$500.
- The University of Northern Iowa has 1,426 contracts in its health insurance plans. Of this total, members of the organized faculty hold 690 contracts.
- Because of the United Faculty collective bargaining agreement, the University can make changes to the health plan only through the bargaining process.
- In the last five years, the employer share of premiums for the UNI health plan has increased by 74% for both single and family plans.

State of Iowa Plans

- Regent Merit System employees at the three universities (approximately 7,300 employees) in AFSCME bargaining units participate in the State of Iowa health insurance programs. In addition, all employees at the Iowa School for the Deaf, Iowa Braille and Sight Saving School and the Board Office are also covered by the state plans. The total enrollment, including Board of Regents employees, in the state plans is 28,447.
- The state offers an indemnity plan (Program 3 Plus), a PPO (Iowa Select) and several managed care options (MCO). MCO options are not available in all counties in the state.
- Collective bargaining with the state's largest union, AFSCME, dictates the plan design and premium structure for the state plans.
- In the last five years, the employer share of premiums for the state indemnity plan (Program 3 Plus) has increased 99.8% for single coverage and 105.6% for family coverage.

Recommendation II-5

(continued)

Health Insurance
Priority Study Group

- The Health Insurance Priority Study Group was formed in the fall of 1993. The purpose of the group was to identify health care cost containment programs and other actions that would allow the Regent institutions to continue to remain in the forefront of cost effective health care management. The study group was asked to investigate the possibility of a single Regent health insurance group.
- The Board entered into a contract with Michael L. Murray, an independent healthcare consultant and Professor of Insurance at Drake University. Professor Murray was to provide a two-phased report. Phase I would present a review of the current health plans offered at the Regent institutions and make recommendations for additional cost containment measures. Phase II would study the feasibility of a Regent-wide healthcare program.
- Phase I recommendations included development of an HMO alternative at UNI; higher cost sharing of premiums at ISU; and coverage for domestic partners at all three universities. All of these recommendations were implemented.
- In Phase II, Professor Murray pointed out there would be some benefit to a regent-wide health insurance program but felt, given the fact there were existing plan structures at each university, the costs incurred in creating a combined plan would exceed the benefits.

Recommendation II-8

Review Individual
Education Plans

II-8 Streamline ISD Process for Individual Education Plans (IEP).

The first step in this study was to clarify what needs to be done. In consultation with MGT, ISD and the Board Office, this clarification was achieved and steps to implement a new approach to the issue were adopted. The Iowa Department of Education will be implementing a new IEP format in late 2002 and early 2003. ISD will undertake the following steps to implement this process:

1. Convene meeting of local school to discuss ways to make the process of completing IEPs smoother. (Spring trimester** -- 2003)
2. ISD administrators and staff will integrate school counselor recommendations into its IEP process, in light of time and budget constraints, and consistent with new federal and state legislation and rules (Fall trimester 2003).
3. The IEPs will be one component of the new student electronic recordkeeping system at ISD. Each student will have his/her records on an individual CD. Currently, each teacher at ISD has been assigned the task of entering selective data for 5 or 6 students (beginning in 2002, through Winter 2003).
4. The ISD administration and faculty will evaluate the revised process after new components are added (Spring trimester 2004).

Recommendation II-8 (continued) **ISD and its neighboring public school, Lewis Central of Council Bluffs, are on a trimester system. Trimesters are 12 weeks in length. Fall trimester; Winter trimester; Spring trimester.

Recommendation: Implement plan as outlined.

Recommendation II-9 **II-9 Review the Role and Composition of Advisory Boards for the two Special Schools.**

Review Role and Composition of Advisory Boards

This study group reviewed the original purposes for which the Special School Advisory Committees were established. The conclusion reached was essentially that there is no longer a need for the current Advisory Committees.

Recommendations:

1. Disband the existing Regent Advisory Committees on Iowa School for the Deaf and Iowa Braille and Sight Saving School (*Policy Manual* §107G).
2. Direct the Board Office to continue to review all the reports submitted by the special schools to the Board of Regents, including, but not limited to, the special schools' strategic plans, performance indicators, and student outcomes assessments. In order to carry out this responsibility and because the Regent advisory committees will no longer provide a review function, the Board Office shall be provided review drafts of these items prior to their submission for approval by the Board of Regents.
3. Allow the special schools to appoint advisory committees as needed to adequately meet the various needs of the school. It is strongly recommended that one of these be a school improvement advisory committee¹. The school improvement advisory committee should consist of members representing students, parents teachers, administrators, AEAs, Board Office representative (ex-officio), and at-large representatives, which may include representatives from business, industry, labor, community agencies, higher education, specialists in the field of visual/hearing disabilities, and any other stakeholders of importance to the school. In addition, the school improvement advisory committee should include a representative knowledgeable about school improvement or special education from at least one of the Regent universities. The special school will provide needed staff support to the committee(s).

¹ The model for a school improvement advisory committee is described in Iowa Code §280.12.

Recommendation II-9
(continued)

As a school improvement advisory committee is put together, careful consideration needs to be given to ensuring that it represents the school's demographics, including gender, race/ethnicity, socio-economic, language groups, as well as the school community's differing viewpoints.

The school improvement advisory committee advises the superintendent on creating a shared vision, assists in identifying school improvement goals, assists the school to conduct a self-assessment, discusses progress toward meeting the school's improvement goals, and provides support to the school in its accreditation efforts².

4. Require the special schools to include in their strategic plans the school's major educational needs such as student learning goals; long-range and annual improvement goals that include, but are not limited to, desired levels of student performance, and performance indicators.
5. Direct the Board Office and the special schools to evaluate the new reporting and advisory committees structure in two years (2004) to determine if they continue to meet the intended objectives and to recommend appropriate changes.

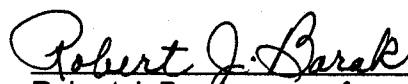
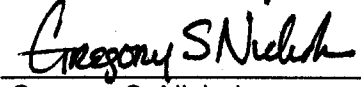
Recommendation II-12

Monitor Athletic
Programs

II-12 Monitor key aspects of the athletic programs.

This recommendation essentially requests that the Priority Study Group on Athletics review the MGT report and, on an on going basis, continue to monitor the athletics. The PSG met on March 13 to review all the recommendations from MGT and concluded it was satisfied with the current PSG and institutional monitoring.

Recommendation: The PSG on Athletics continue to monitor athletic programs at the universities.

 Approved: 
Robert J. Barak *djh* Gregory S. Nichols

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² NCA requires members to implement a five-year continuous school improvement cycle. To be in the school improvement cycle, the school must have a school improvement committee that selects and oversees improvement goals.