

The University of North Carolina System

**Building a Sustainable Student Health Insurance Plan
(SHIP) and Advancing Health Equity for Students**

Self-Funded Student Health Benefit Plan Feasibility Study

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Executive Summary

The University of North Carolina System (UNC System), a collective of 16 universities, provides among the most valuable public education in the country. It is a multi-university system, including the North Carolina School of Science and Mathematics. It is governed by one Board of Governors, and its main objective is to foster the development of a well-planned and coordinated higher education system; improve the quality of education; extend educational benefits beyond university borders and encourage efficient and effective use of state resources. (Source: northcarolina.edu/about-us/)

The University of North Carolina Board of Governors directed the president and system office staff to conduct a self-funding feasibility study. In accordance with this, Gallagher Student Health and Special Risk (GSH) performed an actuarial analysis to explore whether self-funding could enhance student affordability by curbing future premium increases, expanding or maintaining care access for students, reducing administrative costs and increasing administrative and coverage flexibility.

This comprehensive study draws from diverse sources, including but not limited to data from the UNC System's Student Blue Plan, interviews with key stakeholders across the 16 universities, UNC System executive team members, general counsels, Gallagher's diverse team of subject matter experts, benchmarking against peer institutions, as well as data from the North Carolina Department of Insurance (NCDI), the North Carolina Association of Insurance Agents (NCAIA) and various insurance carriers.

The UNC System boasts a substantial risk pool, encompassing approximately 24,000 students enrolled in the system-sponsored student health insurance plan. Opting for a self-funded approach provides the UNC System with the flexibility needed to meticulously budget, potentially paving the way for establishing a comprehensive, cost-efficient and enduring student health insurance program for the long term.

A substantial majority, encompassing 61% of SHIP program enrolled members, submit claims totaling less than \$500 annually. In contrast, a minuscule fraction, approximately 0.4% of enrolled members, exceed the \$50,000 threshold with their claims, as depicted in Figure G. Noteworthy is the UNC System's demonstration of a favorable risk pool, with no members incurring claims surpassing \$550,000 over the past two years. This indicates a stable and well-managed risk profile within the system.

In this report, we have examined various alternative rating methodologies. The main aim of this exploration is to improve the allocation of expenses to students, aligning them with the average costs associated with their individual universities. The objective is to create a more equitable and fair system where students contribute to their SHIP coverage in a way that precisely mirrors their university's specific costs. This approach will support the establishment of a sustainable SHIP program, with premiums for each university directly linked to their utilization patterns. However, it's important to emphasize that this proposal requires thorough consideration and review in collaboration with the UNC System.

Below is a graphic illustrating an example of universities' rate increases based on their own 5-year Medical Loss Ratio (MLR) history. In this illustration, if a university's 5-year loss ratio is 7.5% higher

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than the average 5-year loss ratio, they will receive an increase of 11% plus an additional 2.5%, resulting in a revised increase of 13.5%. This analysis is further detailed in the financial section of this study.

University	Option A	Adjustment	Revised Rate Increase
Appalachian State University	11.0%	-5.0%	6.0%
East Carolina University	11.0%	0.0%	11
Elizabeth City State University	11.0%	-10.0%	1.0%
Fayette State University	11.0%	-5.0%	6.0%
NC Agricultural & Technical State University	11.0%	-5.0%	6.0%
NC State University	11.0%	0.0%	11.0%
North Carolina Central University	11.0%	0.0%	11.0%
UNC Asheville	11.0%	0.0%	11.0%
UNC Charlotte	11.0%	0.0%	11.0%
UNC Greensboro	11.0%	0.0%	11.0%
UNC Pembroke	11.0%	-5.0%	6.0%
UNC School of the Arts	11.0%	-5.0%	6.0%
UNC Wilmington	11.0%	-2.5%	8.5%
UNC-Chapel Hill	11.0%	10.0%	21.0%
Western Carolina University	11.0%	-2.5%	8.5%
Winston-Salem State University	11.0%	-5.0%	6.0%
NC-SHIP	11.0%		11.0%

Whether the UNC System decides to transition from its existing fully insured model to a self-funding strategy, conducting a comprehensive assessment of various critical aspects is essential. These include the rating methodology, waiver criteria, prescription carve-out, benefit plan design and enrollment categorization. At present, the UNC System maintains uniform SHIP rates for all 16 universities, irrespective of their individual medical loss ratios (MLRs), also known as claims to premiums. This well-intentioned, standardized approach may unintentionally lead to adverse outcomes as insurance costs escalate, necessitating a meticulous reevaluation.

Fully Insured vs. Self-Insured

In a fully insured SHIP, an insurance company assumes both the financial and legal responsibilities for losses in exchange for a fixed premium paid by the insured party. Conversely, with self-funded plans, universities are responsible for covering claims themselves. In either scenario, the primary purpose of insurance is to mitigate financial uncertainty, which revolves around the possibility that enrolled members might fall ill and require expensive medical treatment. When enrolled members file few claims and experience limited costly illnesses, a self-funded program can positively impact overall healthcare costs. However, it's essential to recognize that if the Student Health Insurance Plan encounters unfavorable claims experience, a self-funded SHIP may unexpectedly incur expenses beyond its initial expectations. As a result, a comprehensive understanding of self-funding and the potential risks involved is crucial.

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At present, an estimated 31 universities have adopted a self-funding approach for their SHIP Program, also referred to as SHIBP (Student Health Insurance Benefit Plan). Of 31 universities, 22 self-funded plans have a student population greater than 10,000, according to the 2022 SHIBP Survey of the American College Health Association (ACHA). As healthcare costs continue to climb and health insurance premiums follow suit, many educational institutions are exploring innovative solutions to make SHIP programs more affordable for students. Some colleges and universities are even contemplating the formation of consortiums to amplify their purchasing power. This mirrors the trend seen in employer-sponsored plans, where larger universities are increasingly expected to opt for self-funded options. As of 2022, the national single-rate premium for employer-sponsored plans is \$8,012, according to Kaiser's 2022 Employer Health Benefits Survey. It's worth noting that the adoption of self-funded plans among working employees has risen to 65%, up from 60% in 2012.

Advantages of Self-Funding

When a university opts for self-funding, it grants them various advantages that empower them to tailor their approach to student health insurance. This flexibility extends to plan design, freedom from state mandates, transparency in accessing claims data, risk management and the freedom to cater to students' specific needs. For various departments within universities, their objectives may vary, but the overarching sense of empowerment stems from complete freedom, flexibility and control, which eliminates the need for annual negotiations with insurance carriers. Typically, the only insurance they need to negotiate is stop-loss coverage, representing a minimal, fixed cost compared to the SHIP premium. Here are some of the advantages frequently cited by self-funded universities:

- **Cost Containment and Control** – Instead of paying an insurance carrier a predetermined fully insured premium, self-funded universities pay the actual cost of claims. This approach allows them to retain reserves and save on premium taxes, creating a cash flow benefit. Over time, they can build up reserves to safeguard their program against unexpected costs.
- **Plan Design Flexibility** – Self-funding empowers universities to have full control over SHIP design. They can customize plans to meet the specific needs of their student population or adapt them to different universities within the system. This flexibility extends to options like carving out the pharmacy benefit for potential cost savings. Additionally, universities can monitor and customize the pharmacy program, offering benefits such as zero copays for certain medications. Self-funding also permits the integration of various coverages, such as vision, dental and other essential services.
- **Transparency in Claims Data** – Access to claims data offers invaluable insights that empower universities to monitor the plan's performance, budget effectively and gain a comprehensive understanding of how the SHIP program is functioning. This transparency plays a pivotal role in creating a sustainable SHIP.
- **Meeting Student Needs** – Self-funding provides the flexibility needed to offer tailored services to students. Direct access to claims data and support from the Third-Party Administrator (TPA) administering the plan streamlines processes, allowing universities to promptly address specific situations that might have been cumbersome under a fully insured SHIP program.

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The transition to self-funding equips universities with the tools and freedom needed to effectively design, manage and cater to the unique healthcare needs of students. It enhances financial control and empowers institutions to create a sustainable, student-centric healthcare plan.

Findings and Financials

The findings of this study highlight substantial cost savings achievable by transitioning to a self-funded model for SHIP, with potential savings range from an impressive Baseline Cost Approach scenario savings of \$885K to Mid-Case Cost Approach Scenario of \$5.9M per year. Furthermore, conservatively projecting savings over five years, assuming minimal participation changes from FY25, reveals an estimated \$5 million in savings for the Baseline Cost Approach scenario to \$30 million in savings for the Mid-Case Cost Approach scenario. Embracing a self-funded model enhances the ability to realize gradual claims reduction over time. Refer to the Financial Analysis section for more information.

Significantly, there is a specific opportunity to achieve substantial savings in the SHIP pharmacy program, with potential savings ranging from 10% to 12%, which translates to approximately \$1.6M to \$2.0M, as seen in [Figure J](#). A 10%-12% rebate might appear relatively modest when compared to industry benchmarks in the Commercial market, which typically fall within the range of 20%-30%. This estimate is influenced by the unique demographics and high utilization of generic drugs among the student population.

In addition to the other advantages of self-funding, the elimination of the state healthcare fee/state premium tax is a notable financial benefit. This fee was previously integrated into the overall cost structure of the SHIP; eliminating it from the financial equation will save the UNC System approximately \$1.5 million per year, according to our financial analysis, which can be found in this report.

Further savings analysis has been provided in the Financial section of this study for the Research Assistant/Teaching Assistant (RA/TA) and postdoctoral programs.

A thorough review of a pharmacy carve-out model should be completed, following the establishment and maintenance of a self-funded program for a few years and the accumulation of sufficient data. This review aims to investigate the potential for achieving even greater cost savings within the pharmacy component of the program.

It's crucial to emphasize that, as with any product or service procurement, the potential for savings can be further optimized by implementing an aggressive procurement process, ideally in collaboration with experienced professionals. This is especially important because SHIP necessitates a unique understanding of the marketplace, distinct from employer-sponsored plans. By harnessing this expertise and adopting a strategic approach, the System can maximize its savings and enhance the financial viability of its student health insurance program.

Analyzing the enrollment history assumes great significance due to its direct impact on risk assessment. A comprehensive examination of the factors contributing to the decline in enrollment plays a pivotal role in maintaining a strong and stable risk pool. Effective management of the waiver process ensures that students only waive coverage when they possess valid insurance. It remains a critical tool in sustaining a healthy pool of insured individuals, as shown in [Figures B1-B4](#).

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It's essential to recognize that overall enrollment has experienced fluctuations. The onset of the COVID-19 pandemic resulted in a noticeable drop in enrollment, followed by a subsequent steady increase. Approximately 12% of the student population opts for enrollment in the SHIP, with about 2,300 international students choosing to waive SHIP coverage in favor of enrolling in non-ACA International Student Services (ISS). ISS plans provide insurance coverages that has limitation, exclusions and not as comprehensive as SHIP. Mandating international students to enroll in SHIP can prove advantageous for the program, as it not only enhances the overall risk pool but also provides these students with comprehensive health coverage. This alignment of interests benefits both the program and the students it serves.

The presence of a young demographic within the SHIP plan establishes a highly favorable risk pool. SHIP's enrollment experiences annual fluctuations, characterized by new students enrolling and others discontinuing their coverage upon graduation. On average, the age of the enrolled student population consistently falls within 18-30 years old, as illustrated in [Figures D1-D4](#).

In contrast, the postdoctoral program encompasses participants with a somewhat older average age, typically between 31-44 years old, as shown in [Figures D4-D5](#).

Understanding the demographic breakdown is crucial for assessing the risk profile of both the student and RA/TA segments within the SHIP plan, as well as the postdoctoral health insurance plan. This underscores the positive impact of a youthful composition on risk assessment and management. Taking a closer look at SHIP rate escalations since 2013 reveals a consistent upward trend over the past 11 years. These increases have amounted to 8% on average, effectively doubling the rates during this extended period. Consequently, it's prudent to explore the correlation between these rate increments and the broader trends in claims utilization.

Reviewing the MLR and claims utilization is crucial in effectively managing the SHIP program. It is particularly valuable to scrutinize the rating methodology for postdoctoral Dependents, as the MLR data for Dependents can shed light on the presence of adverse selection, as depicted in [Figure F6](#).

Of special note is the examination of Consolidated Omnibus Budget Reconciliation Act (COBRA) enrollment, where the MLR for postdoctoral COBRA enrollment reveals percentages exceeding 100%. Specifically, for the postdoctoral health insurance plan, the figures indicate an MLR of 345% in 2021, 144% in 2022 and 176% as of the current date in 2023, which is detailed in [Figure F7](#). These observations raise concerns and underscore the importance of devising strategies to mitigate the impact of adverse selection and implementing measures to reduce adverse selection within the postdoctoral health insurance program.

Notably, the average rate increase over the last five years has been around 2%. It's important to emphasize that this increase occurred alongside a reduction in benefits plan design, resulting in higher out-of-pocket expenses for students seeking medical care.

In certain scenarios, when dealing with a large student population enrolled in SHIP, insurance companies may employ underwriting methodologies that deviate from the average trend to sustain their business as shown in the financial analysis section of this study. On the other hand, self-funding offers a more consistent rating methodology, as the university takes on the risk, ensuring greater stability and control over the plan's pricing and financial performance.

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At North Carolina State University (NC State), the RA/TA SHIP rates have seen an average increase of 8% over the past five years. However, the rate of increase has taken a significant upswing of 38% since 2018. Conversely, at UNC-Chapel Hill, the average increase in RA/TA SHIP rates is slightly lower at 6%, but there has been a substantial 31% increase observed since 2018, per [Figure E3](#).

While the average annual increase over the past five years has been 7%, 2022 and 2023 witnessed a substantial average renewal increase of 14% — 15% and 13%, respectively. Given this two-year trend, it's imperative for the postdoctoral program to exercise vigilant oversight in monitoring claims utilization and dependent enrollment. For more detail, see [Figure F6](#).

Cash Flow Analysis

A comprehensive cash flow analysis for both the Baseline Cost Approach Scenario and the Mid-Case Cost Approach Scenario sheds light on the recommended initial capitalization required to kick start the self-funded SHIP program. It is estimated that an initial capitalization of \$17.5 million (Baseline Cost) to \$16.75 million (Mid-Case Cost) is needed. The estimates assume that no premiums will be collected from students until November.

However, as the year progresses, a surplus is generated, reaching \$20.4 million (Baseline Cost) to \$19.6 million (Mid-Case Cost) by the end of the first year. This surplus can be further divided into two crucial components:

- **True Surplus:** This is the surplus at the end of Year 1, which plays a crucial role in covering claims at the beginning of Year 2 when SHIP is waiting for premium payments. The majority of the surplus, totaling \$14.6 million (Baseline Cost) to \$13.9 million (Mid-Case Cost), is designated as "true surplus." These funds exceed the amount required to meet immediate operational and claim-related expenses for the 2nd year, serving as a financial buffer for unforeseen contingencies and bolstering the overall financial stability of the program.
- **Reserve for Claims Not Yet Reported:** The remaining \$5.8 million (Baseline Cost) to \$5.6 million (Mid-Case Cost) is earmarked as a reserve. This reserve is specifically intended to cover claims that have been incurred but have not yet been reported or received at the end of the year. This reserve is essential to ensure that the program can meet its obligations to cover potential claims and maintain financial stability.

This cash flow analysis demonstrates that the self-funded SHIP program, under both scenarios, is expected to not only cover its initial capitalization but also generate a surplus that strengthens its financial position while prudently setting aside reserves to meet future claim-related obligations.

It's important to note, the potential for savings can be further optimized by implementing an aggressive procurement process, ideally in collaboration with experienced professionals. This is especially important because SHIP necessitates a unique understanding of the marketplace, distinct from employer-sponsored plans. By harnessing this expertise and adopting a strategic approach, the System can maximize its savings and enhance the financial viability of its student health insurance program.

Important Role of Student Health Centers

The Student Health Centers (SHCs), present across all 16 universities within the UNC System, play a pivotal role in delivering essential healthcare services to students. Their unwavering dedication to students' well-being is exemplified through many testimonials showcased in [Figure K](#). These centers provide cost-effective healthcare solutions to cater to the diverse needs of all students. This commitment allows students to focus on their education, knowing they have access to quality care that aligns with their unique requirements, thereby contributing to the promotion of health equity.

There is a unanimous commitment to maintaining the integrity of the current SHIP program and expanding coverage options to include dental care for students. This commitment underscores the institutions' dedication to enhancing the overall well-being of the student population while ensuring students continue to receive comprehensive health insurance coverage that meets their evolving needs.

Shared challenges were evident across the 16 universities within the UNC System, with common issues including concerns about being under resourced, the pressing need for additional financial support and staffing constraints. Furthermore, a noticeable trend was the increasing demand for mental health support among students, highlighting a widespread need for additional resources in this area.

Furthermore, it's worth noting that the 16 SHCs across the System diligently pursue reimbursement from BCBSNC for claims incurred by students enrolled in the BCBSNC SHIP. However, it's important to clarify that not all student health centers use third-party billing for commercial plans. Among the 16 universities in the UNC System, 14 universities have traditionally adopted partial insurance recovery through a recognized process, credentialing with a limited number of commercial carriers. In contrast, only two universities have successfully implemented third-party billing recovery, invoicing the majority of the student population through their carriers. In the past three years, the average reimbursement from BCBSNC for SHC services to SHIP-enrolled students has remained relatively stable, with minimal fluctuations, as evidenced by the data as seen in [Figure H](#).

Given the shared challenges faced by the Student Health Centers and the potential for increased reimbursement from commercial carriers, there exists an opportunity to investigate the development of a streamlined turnkey solution for third-party billing capabilities. This solution can greatly benefit the Student Health Centers across all 16 universities by improving their capacity to secure additional reimbursement for their services.

Peer Benchmarking

Benchmarking with peer institutions has reaffirmed that the UNC System SHIP program provides sufficient coverage in terms of deductibles, coinsurance, copays and out-of-pocket expenses. Other peer institutions may provide lower deductibles and coinsurance. The current program is classified as a Gold-level plan in terms of actuarial value and aligns with ACA requirements. For more information, refer to the Benchmark section.

Governance and Administration

Engaging legal counsel is essential to ensure compliance with North Carolina regulations and statutes. Establishing a designated management structure is paramount for effective governance — it doesn't need to be overly complex. Adopting a partnership model that encompasses strategic consulting, analytics and comprehensive reporting in areas such as claims, billing, cash flow, renewal projections

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and administrative support is highly recommended. This holistic approach significantly enhances the successful implementation and management a self-funded SHIP program within the UNC System.

For more detail, please review the Governance section of this report.

The partnership model ensures that the system has access to the most up-to-date resources, expertise and support required to efficiently manage the self-funded program. It's noteworthy that many consortium programs operate under such a partnership model, as it minimizes resource requirements while maximizing efficiency.

Conclusion

In conclusion, as revealed in this study, the UNC System boasts an estimated 24,000 students enrolled in SHIP, primarily composed of a youthful demographic. This student body provides a robust risk-sharing mechanism, promoting resilience against unfavorable outcomes. The UNC System is in a favorably positioned to consider self-funding its student health insurance program. For smaller universities, insurance companies often target a medical loss ratio (MLR) range of 83%-85% to be profitable. However, for universities with substantial student populations, such as the UNC System, carriers are more open to a higher MLR, potentially reaching 93% due to estimated projected fully insured premium of \$72.4 million. With an impressive average MLR of 79% for past 5 years, this provides a significant margin that enables the UNC System to capitalize on the advantages of self-funding. For more information, please refer to the Financial Analysis section.

Beyond the evident cost savings, self-funding offers intrinsic advantages, including enhanced plan flexibility, reduced taxes, transparency in claims data, customization options, the ability to forecast renewals and the empowerment that comes with managing the SHIP program comprehensively. This newfound control allows for the freedom to better serve the students enrolled in the SHIP.

Implementing a self-funded health insurance plan with a strong focus on long-term sustainability necessitates effective plan management. This entails vigilantly monitoring student demographics and usage patterns, considering factors like age, gender, geographic locations, and changes in medical requirements, all of which can influence the plan's design and cost structures.

Effective plan management also requires the regular review of utilization claims data to identify trends, outliers, and potential cost-saving opportunities. This data-driven approach informs decision-making and optimizes plan benefits. Additionally, the plan's long-term success hinges on flexibility. It's vital to adapt the program in response to evolving student needs and healthcare regulations. Proactive adjustments allow the plan to stay cost-effective and relevant, ensuring it consistently aligns with the requirements of the UNC System Universities and their students.

Methodology

Gallagher Student Health and Special Risk (GSH) has engaged in a close-knit partnership with UNC System administration to procure essential information for compiling and thoroughly examining this Self-Funding Feasibility Study. GSH conducted meetings with NCDOL, NCAIA and BCBSNC and interviewed representatives from all 16 universities within the UNC System. Additionally, discussions were held with UNC System General Counsel, the retained attorney who specializes in health insurance compliance for the UNC System, system administrators while crucial data was sourced from BCBSNC. A comprehensive Request for Proposal (RFP) process ensured competitive costs for Third Party Administrator (TPA) services and stop-loss coverage.

GSH also fostered collaboration across various teams within Gallagher. These teams have established a self-funded consortium encompassing private corporations, associations, public entities and nonprofit organizations. In the cost analysis segment of this self-funding feasibility study, GSH meticulously extracted data from all carriers to accurately present the overall financial implications of transitioning from a fully insured model to self-funding.

Recommendations and Discussion

Numerous administrative aspects of the SHIP program are effectively managed and regularly updated. While streamlining processes is advisable, it's equally essential to preserve each university's unique culture and identity throughout any transition. This approach safeguards the program's efficiency and ensures its long-term sustainability.

A comprehensive understanding of the program, the enrolled population, their demographics and efficient waiver administration is paramount in any self-funded program. Effective waiver management is a cornerstone of the program as it ensures all students without existing health insurance are enrolled in the SHIP program. This, in turn, guarantees their access to medical care without the burden of financial worries when the need for medical services arises.

Moreover, it safeguards the well-being of students and promotes health equity across the entire student population within the UNC System, regardless of their economic circumstances. It also facilitates efficient third-party billing by clarifying where students are insured, whether through private insurers, government-funded programs, subsidized programs or the SHIP itself.

When waiver management is executed effectively, it minimizes the potential for adverse selection and preserves the integrity of the plan by successfully distributing the insurance risk pool. Flexibility and the ability to make critical decisions when faced with risk management challenges are vital attributes in this context.

Establishing a dedicated management structure is of utmost importance for effective governance, and it can be simple within the UNC System. It is highly recommended to embrace a partnership model that encompasses strategic consulting, analytics and comprehensive reporting in various areas, including claims, billing, cash flow, renewal projections and administrative support. This holistic approach significantly enhances the successful implementation and management of a self-funded SHIP program within the UNC System, ensuring it has the essential support for a thriving program.

The partnership model ensures the system can access the most up-to-date resources, expertise and support required to run the self-funded program efficiently. It's worth noting that many consortium programs operate under a partnership model as it minimizes the resources needed to run a self-funded program while maximizing efficiency. An existing example of a consortium effectively employing the partnership model for enhanced efficiency is the North Carolina Health Insurance Pool (NCHIP).

Recommendations and Discussion

Below are detailed recommendation descriptions by category:

- Implement a comprehensive approach to claims tracking by categorizing enrollments into distinct university-specific segments. This will provide a clear understanding of the student population enrolled in the SHIP, their utilization patterns and enable targeted analysis of student groups within each university and the broader UNC System. Potential segments, listed in alphabetical order:
 - Athletes
 - COBRA
 - Dependents
 - Domestic traditional undergraduate students
 - Domestic nontraditional undergraduate students
 - Graduate students
 - International students
 - Postdoctoral scholars
 - RA/TA
 - Undergraduate students
- Effective waiver management is a fundamental aspect of the program. The waiver and enrollment platform, as highlighted in this study, ensure that all students without health insurance can seamlessly enroll in the SHIP program. This process guarantees their access to medical care without financial concerns and provides the UNC System with a clear understanding of which students are insured.
 - Thoroughly establish and diligently review waiver management to ensure the success of the risk pool.
 - Review clearing house methodology and accuracy.
- Enhance the waiver criteria for international students. International students typically constitute a more favorable risk pool regarding insurance, with industry averages suggesting they utilize approximately 20%-40% less in medical services. Allowing international students to enroll in a non-ACA-compliant plan poses financial risks when they require care, potentially jeopardizing health equity within the UNC System and resulting in disparities in coverage compared to domestic students, who may have more comprehensive coverage while attending UNC System universities. Incorporating international students into the SHIP will bolster the SHIP risk pool, ultimately enhancing overall program sustainability.
 - Elevate the standards to waive from SHIP, which will:
 - Increase international enrollment, thereby improving SHIP's risk profile.

Recommendations and Discussion

- Foster health equity among international students by enrolling them in an ACA-compliant plan, improving healthcare accessibility.
- Develop a streamlined turnkey solution to empower Student Health Centers for third-party billing or explore the possibility of implementing a comprehensive system-wide third-party billing system with a unified credentialing process.
- Establish governance structure for self-funding in compliance with state guidelines. The Governance section of this study will provide a detailed outline of the recommended governance structure:
 - Institute comprehensive framework for self-funding based on regulation and study recommendation.
 - Create a trust dedicated to funding claims.
 - Establish a healthy reserve, as recommended in the Financial section of this study.
 - Align the waiver deadline with the billing statement due date to establish funding for reserve and claim payment, ensuring a robust and healthy reserve for the self-funded plan.
 - Appoint a dedicated staff member to manage self-funded insurance plan.
 - Engage an outside strategic partner or consultant specializing in SHIP to provide expert guidance in program management, as well as administrative, analytic and actuary, waiver management, renewal management, claims review and communication support with the 16 universities.
 - Develop a multi-year plan with involvement from actuaries and legal or compliance experts.
 - Formulate a comprehensive bylaw or plan manual.
 - Creating committees, advisory or otherwise, and engaging with all universities within the system will be instrumental for SHIP sustainability by ensuring that each university has a voice. Given their diverse locations across the state, these universities often have unique needs. The committees will not have decision-making authority but will serve to provide valuable insights and advice. Some of the issues and student groups they can examine, include:
 - Recommending insurance plan design.
 - Promoting wellness initiatives.
 - Addressing mental health concerns.
 - Athletics and intercollegiate sports.

Recommendations and Discussion

- International students, RA/TA and postdoctoral scholars.
- Reevaluate the \$20 administrative fee associated with current SHIP rates, considering this fee is charged in addition to the SHIP premium and paid by enrolled students. Options include:
 - Distributing the cost across the 240,000 students within the UNC System, resulting in a nominal \$2 per student charge.
 - To ensure equitable support for Student Health Centers, contemplate increasing the fee for all academically enrolled UNC System students. Presently, only SHIP-enrolled students are subject to this fee, leading to disparities in the program's funding.
- Further research is vital to improve the efficiency of the current invoicing, reconciliation, and payment process to carriers, as the present system may pose a financial burden on the self-funded program. Enhancing the timeline for collecting student premiums will contribute to the financial stability of the SHIP program.
- Recommended reserve and financial forecast have been provided in this study's Financial section.
- A comprehensive assessment of the RA/TA Student Health Insurance Plan and the Postdoctoral Health Insurance Program is recommended to secure their long-term viability. The initial review of these programs has revealed concerns related to adverse selection and substantial cross-subsidization, particularly among dependent group with higher claims utilization.

Recommendations and Discussion

UNC System Development Steps and Implementation Timeline

The proposed governance structure provides an overview of the recommended organizational setup. The following section details the expected timeline for the implementation of a self-funded student health insurance plan for the UNC System.

To ensure a comprehensive start-to-finish project completion, an estimate of 6 to 9 months is recommended for the initial year, commencing with the project initiation and extending through the enrollment period. Subsequent renewals can typically be accomplished within 12 to 16 weeks. This timeframe will significantly impact the decision-making process within the UNC System.

The following provides a high-level overview of the steps involved in the UNC System Development for implementing a self-funded program for SHIP:

UNC System Development Step	Estimated Duration
<ol style="list-style-type: none"> Evaluation of options within a UNC System structure <ul style="list-style-type: none"> Review the Mechanics of UNC System Health Insurance Administration <ul style="list-style-type: none"> Appoint or hire an executive director Establish a partnership model Identify necessary UNC System key stakeholders Identify efficiency opportunities <ul style="list-style-type: none"> Cost savings Administrative efficiencies Develop a Model for Self-Funding Management in the UNC System Identify UNC System professional service providers <ul style="list-style-type: none"> Consultant for the Partnership Model Actuary Compliance/General Counsel Carrier or TPA for claims process and support Stop Loss Carrier Accountant Banking Enrollment Waiver Platform Create/form Committees, Advisory Committees 	20 to 26 Weeks
<ol style="list-style-type: none"> Data Collection and Plan Design– ongoing process 	12 Weeks
<ul style="list-style-type: none"> Data analysis/actuarial review Initial vendor engagement Build tentative financial model Evaluate plan design options 	12 Weeks
<ol style="list-style-type: none"> Presentation of the model to UNC System <ol style="list-style-type: none"> Share information with key stakeholders 	6 to 8 Weeks
<ol style="list-style-type: none"> Negotiate with vendors to secure the most favorable pricing and service guarantees <ol style="list-style-type: none"> Waiver enrollment management Develop Communication model 	12 Weeks
<ol style="list-style-type: none"> Develop by-laws, trust agreements and board resolution (if necessary) 	4 to 8 Weeks
<ol style="list-style-type: none"> Finalize financial model/present to UNC System and engage 16 UNC System Universities 	6 to 12 Weeks
<ol style="list-style-type: none"> By-laws executed; begin filing process with state/federal government, if necessary 	6 to 8 Weeks
<ol style="list-style-type: none"> Vendor Implementation, enrollment, on boarding, and communication 	12 Weeks
<ol style="list-style-type: none"> Plan becomes effective – GO LIVE Enrollment Waiver Opens 	GO LIVE Enrollment Waiver Opens

Recommendations and Discussion

A more detailed outline is available in the "Recommended Governance Structure" section of this analysis.

Recommendations and Discussion

Key Considerations – Funding Methodology

Considerations	Fully Insured	Self Insured
Who holds the risk?	Carrier, student and university liability limited to premium	University; risk may be limited by stop-loss insurance (Specific SL/Aggregate SL)
Who is responsible for paying the claims?	Carrier	Carrier/Third Party Administrator
Who is responsible for claims upon termination?	Carrier retains liability upon termination	University retains liability upon termination (depends on contract in place)
Who controls the reserves?	Carrier	University discretion
How does cash flow work?	Fixed, budgeted amount	Initial gain; subject to fluctuation
What are the cost components?	Premium includes: Incurred claims Pooling charge State taxes HCR PCORI & Reinsurance Fees HCR Insurer Assessment Tax Expenses Risk charge/profit margin	Budgeting includes: Paid claims Expenses HCR PCORI Specific stop-loss (equates to pooling) Aggregate stop-loss (optional) Fluctuation margin (optional)
Who controls plan design?	Subject to State Department of Insurance	Complete flexibility, subject to Federal ERISA
Who is responsible for ACA reporting?	Carrier	University (can outsource to ACA vendors)
Who is the plan fiduciary?	Carrier	University (can purchase fiduciary coverage)
Banking agreement	Limited employer involvement	Claim check drawn against university's benefit fund account

Advantages and Disadvantages of Self-Funding

Fully Insured Plans	Self Insured Plans
Advantages <ul style="list-style-type: none"> Insurance carrier assumes risk Carrier acts as fiduciary and handles appeals and litigation Known monthly premium liability for university Carrier provides full service package Carrier completes most ACA reporting 	Advantages <ul style="list-style-type: none"> Cost containment and control All claim reserves held by the university No state premium taxes or ACA Insurer Assessment Fee Minimized insurance regulations (state law pre-empted by ERISA) Increased flexibility in plan design Potential for increased flexibility in negotiating service fees Elimination or reduction of risk charges If favorable claims experience, university retains unapplied funds Transparency in claims data Flexibility in claims payment and plan administration
Disadvantages <ul style="list-style-type: none"> Underwriting more conservative State premium taxes paid on all premiums ACA insurer assessment fee Carrier funds and holds all reserves Pay carrier profit margin 	Disadvantages <ul style="list-style-type: none"> Fluctuation of monthly funding liability Need to purchase stop-loss coverage to cap claim liability (optional) All services arranged by employer and/or consultant University acts as claim fiduciary and is responsible for litigation Required to establish a bank account for claims and pay administration separately ACA reporting and fees are handled by the University (PCORI, Reassurance Assessment Fee)

Summary of Findings and Discussion

Summary of Findings and Discussion

A comprehensive grasp of the existing SHIP program across all 16 universities is paramount. It's worth noting that among these universities, two offer RA/TA SHIPs while six provide the postdoctoral program. Armed with these insights, the UNC System can tailor the current program to align with its overarching objectives and mission. This strategic approach aids in establishing a governance framework, optimal plan design and system-wide operational efficiency.

Over the years, the UNC System has demonstrated adaptability by continuously refining the SHIP program, striking a delicate balance between cost reduction and the enhancement of benefits. Within this context, the UNC System as a whole and the RA/TA segments offer a traditional SHIP program.

Notably, UNC-Chapel Hill and NC State each provide a SHIP tailored for their RA/TA populations. This approach allows them to offer dependent coverage to their RA/TA students, enhancing the program's inclusivity.

Conversely, the postdoctoral health insurance plan operates as an employer-sponsored arrangement. Granting the capacity to extend COBRA benefits to postdoctoral students following their termination, this plan also provides coverage for their dependents. This plan demonstrates the UNC System's commitment to providing comprehensive healthcare solutions to its diverse student and postdoctoral populations.

The University of North Carolina System is comprised of 16 universities:

Appalachian State University	East Carolina University
Elizabeth City State University	Fayetteville State University
North Carolina Agricultural and Technical State University	North Carolina Central University
NC State University	University of North Carolina Asheville
University of North Carolina at Chapel Hill	University of North Carolina at Charlotte
University of North Carolina at Greensboro	University of North Carolina at Pembroke
University of North Carolina School of the Arts	University of North Carolina Wilmington
Western Carolina University	Winston-Salem State University

Figure A

North Carolina School of Science and Mathematics is a residential public high school and is not included in this study.

Summary of Findings and Discussion

Hard Waiver SHIP Programs for 16 Universities

The UNC System practices a hard waiver student health insurance requirement. Under this requirement, students must demonstrate proof of creditable health insurance coverage that meets specific criteria or standards. Typically, the university offers a SHIP, and students must provide evidence of having equivalent coverage from an external source, such as a parent's or employer's plan. If students have existing coverage that meets or exceeds the university's established standards, they can "waive" or opt out of the university's SHIP program. This means they won't be automatically enrolled in the SHIP or charged for it as part of their tuition and fees.

The primary objective of implementing a hard waiver requirement is to ensure that all students have access to sufficient health insurance coverage while attending the university, whether through the university's plan or an external one. This approach helps students avoid redundant insurance costs and offers choices to those with coverage through alternative means.

- It is a requirement for every eligible student enrolled in UNC System universities to maintain health insurance coverage.
- Domestic student enrollments:
- Domestic students have the option to enroll in the SHIP program.
- International student choices:
 - International students have the flexibility to opt for off-shore international plans or choose the SHIP.
 - Notably, more than 2,500 international students are currently opting out of SHIP enrollment.
- Dependent Eligibility: Dependents do not meet the criteria for enrollment in the SHIP program.

RA/TA SHIP Plans for Two Universities

- The plan is specifically for two universities for RA/TA:
 - University of North Carolina at Chapel Hill and North Carolina State University.
- Dependents are eligible to enroll.

Summary of Findings and Discussion

Postdoctoral Plans for Six Universities – Employer-Sponsored Group Health Insurance Plan

- Employer Sponsored Plan:
 - East Carolina University, North Carolina Central University, North Carolina State University, University of North Carolina at Chapel Hill, University of North Carolina at Charlotte and University of North Carolina at Wilmington.
- Dependents are eligible to enroll.
- Follow ERISA and COBRA guidelines.

SHIP Enrollment History

Examining enrollment history assumes significance due to its implications on risk assessment. A thorough evaluation of the reasons for enrollment decline is pivotal in upholding a robust risk pool. Effective management of the waiver process, ensuring that students waive coverage only with valid insurance, remains imperative. This is crucial in maintaining health equity among students, ensuring that all students can access care regardless of their economic status. Most importantly, it upholds the plan's integrity by effectively spreading the insurance risk pool. This helps guard against adverse selection, which could increase SHIP rates and prove detrimental to the overall SHIP if not addressed.

It's crucial to acknowledge that overall enrollment has experienced fluctuations. The advent of COVID-19 resulted in a notable drop in enrollment, followed by a subsequent steady increase.

Since the introduction of the ACA-compliant SHIP program with BCBSNC, there has been a noticeable decline in overall students enrolling in SHIP.

Fall 2013	Spring 2014	Fall 2014	Spring 2015	Fall 2015	Spring 2016	Fall 2016	Spring 2017	Fall 2017	Spring 2018	Fall 2018
48,290	40,450	40,321	35,895	37,851	33,560	34,050	30,437	32,743	29,458	33,693

Figure B1

Spring / Summer 2019	Fall 2019	Spring 2020	Fall 2020	Spring 2021	Fall 2021	Spring 2022	Fall 2022	Spring 2023
29,604	32,851	28,617	28,881	24,735	28,991	25,031	27,816	23,657

Figure B2

Summary of Findings and Discussion

The following presents a subset of international students who have enrolled in BCBSNC SHIP. Over the years, from 2013 to 2019, there has been a decline in SHIP enrollment. However, the current enrollment indicates a return to pre-pandemic levels.

Fall 2013	Spring 2014	Fall 2014	Spring 2015	Fall 2015	Spring 2016	Fall 2016	Spring 2017	Fall 2017	Spring 2018	Fall 2018
3,738	2,730	3,168	2,536	3,282	2,462	2,801	2,136	2,425	2,127	2,730

Figure B3

Spring / Summer 2019	Fall 2019	Spring 2020	Fall 2020	Spring 2021	Fall 2021	Spring 2022	Fall 2022	Spring 2023
2,750	3,265	2,293	1,992	2,054	3,136	2,335	2,653	2,635

Figure B4

Total Enrolled Student Count at UNC System

While the overall enrollment numbers at the UNC System have been steadily increasing, it's crucial to highlight a contrasting trend in SHIP enrollment, which has declined. Ensuring a robust and consistent enrollment is paramount to effectively managing and distributing the associated risks. One potential avenue for bolstering the SHIP program is increasing international student enrollment, which can contribute positively to its overall health and sustainability. Additionally, meticulous management of the waiver program is essential to ensure an efficient waiver process. As emphasized throughout this study, effective waiver management is crucial for preventing adverse selection and ensuring the equitable distribution of risk among students enrolled in the SHIP program.

	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018	Fall 2019	Fall 2020	Fall 2021	Fall 2022
ASU	17,838	18,026	17,932	18,295	18,811	19,108	19,280	20,023	20,641	20,436
ECU	26,887	27,511	28,289	28,962	29,131	28,718	28,651	28,798	28,021	27,151
ECSU	2,421	1,867	1,585	1,357	1,411	1,677	1,769	2,002	2,054	2,149
FSU	6,179	5,899	6,104	6,223	6,226	6,318	6,551	6,726	6,748	6,787
NCA&T	10,561	10,725	10,852	11,177	11,877	12,142	12,556	12,753	13,322	13,487
NCCU	8,093	7,687	8,011	8,094	8,097	8,207	8,011	8,078	7,953	7,553
NC State	34,009	33,989	34,015	33,755	34,432	35,479	36,304	36,042	36,831	36,700
UNCA	3,784	3,845	3,891	3,821	3,852	3,762	3,600	3,363	3,233	2,914
UNC-CH	29,127	29,135	29,084	29,468	29,911	30,011	29,877	30,092	31,641	31,705
UNCC	26,571	27,238	27,983	28,721	29,317	29,710	29,615	30,146	30,448	29,551
UNCG	18,074	18,647	19,393	19,647	19,922	20,106	20,196	19,764	19,038	17,978

Summary of Findings and Discussion

UNCP	6,222	6,269	6,441	6,268	6,252	7,137	7,698	8,262	8,318	7,666
UNCW	13,937	14,570	14,918	15,740	16,487	16,747	17,499	17,915	18,030	17,843
UNCSA	912	958	970	1,043	1,014	1,042	1,086	1,070	1,119	1,104
WCU	10,107	10,382	10,340	10,805	11,034	11,639	12,167	12,243	11,877	11,635
WSSU	5,399	5,220	5,107	5,151	5,098	5,190	5,121	5,169	5,226	5,004
Total	220,121	221,968	224,915	228,527	232,872	236,993	239,981	242,446	244,500	239,663

Figure C * Workbook: db_enroll (northcarolina.edu)

Waivers: 2022-2023

The data presented below illustrates the number of students who have enrolled in SHIP and those who have chosen to waive enrollment in the program:

- **Approximately 12% of the student population** enrolled in the SHIP.
- **Approximately 213,000 students** waived SHIP coverage.
- **Among these, 2,300 international students waived SHIP** coverage in favor of enrolling in ISS plans.

Summary of Findings and Discussion

Demographics of Enrolled Student Population

Exploring the demographic landscape provides valuable insights into the enrollment dynamics of students and their dependents within the plans. This analytical exploration not only helps anticipate potential risks associated with different age groups but also enables the customization of plan designs to effectively address the unique coverage needs of UNC System students and their dependents.

Given that most of the student population falls under the age of 30, tailoring the plan design to cater to the needs of this age group can prove highly beneficial for providing adequate coverage.

There is a higher number of students in the 31-44 age category of the RA/TA health insurance plan compared to the SHIP plan across the 16 universities. Additionally, it's worth noting that postdocs predominantly belong to the 31-44 age bracket. These demographic trends are essential considerations in tailoring insurance plans to the specific needs of these distinct student groups.

Student Health Insurance Plan for 16 Universities

Age Bracket	00-17	M	0.2%
		F	0.2%
	18-30	M	51.0%
		F	36.6%
	31-44	M	6.9%
		F	3.5%
	45-64	M	0.6%
		F	0.8%
	65-74	M	0.1%
		F	0.1%

Figure D1 Based on April 2023 Data

87.6% of students enrolled in SHIP fall within the age range of 18-30. This demographic information enables the plan to tailor its services to better meet the needs of this specific age group.

It's worth noting that the UNC System does include adult learners up to 65-74 years of age. Medicare typically serves as primary coverage for individuals over 65 who are not actively working. The SHIP can provide secondary coverage as needed.

Summary of Findings and Discussion

Student Health Insurance Plan for RA/TA

NC State RA/TA	00-17	M	0.4%
		F	0.3%
	18-30	M	38.4%
		F	34.6%
	31-44	M	12.8%
		F	12.0%
	45-64	M	0.6%
		F	0.9%

Figure D2

UNC- Chapel Hill RA/TA	00-17	M	0.4%
		F	0.3%
	18-30	M	29.2%
		F	40.9%
	31-44	M	12.6%
		F	15.3%
	45-64	M	0.5%
		F	0.8%

Figure D3 Based on April 2023 Data

- For RA/TA enrolled at NC State in the RA/TA SHIP program:
 - 74% of the enrolled members fall within the age range of 18-30.
 - The distribution between genders is fairly even with 34.6% being female and 38.4% being male.
 - Enrolled members aged 31-44 constitute 24.8% of the total.
- For RA/TA enrolled at UNC Chapel Hill in the RA/TA SHIP program:
 - Approximately 70% of the enrolled members are aged between 18 and 30.
 - Enrolled members aged 31-44 account for 27.9% of the total.

Health Insurance Plan for Postdoctoral Scholars

Average Age	00-17	10.66%
	18-30	20.81%
	31-44	64.89%
	45-64	3.64%
	65-74	0.00%

Figure D4

The distribution of enrolled members among postdoctoral scholars is as follows:

- Approximately 64.9% fall within the age range of 31-44.
- 71% of the enrolled members are students.
- The remaining 29% are dependents.

Coverage Tier	Average Members
Student Only	1,086
Student + One	144
Student Dependent(s)	134
Family	172
Total	1,536

Figure D5

Summary of Findings and Discussion

Health Insurance Rate History and Trends

SHIP Rate History for 16 Universities

When we analyze the rate escalations within the SHIP program since 2013, a clear and consistent upward trend becomes evident over the past 11 years. On average, these rate increases have averaged around 8%, resulting in a doubling of rates over this extended period. Therefore, examining the correlation between these rate increments and the overarching trends in claims utilization is imperative.

In our comprehensive actuarial study, further detailed in the financial section of this analysis, we've observed a recent upward trend in the MLR (Medical Loss Ratio). Interestingly, despite this MLR increase, the renewal rates have declined. This historical data on renewal rates and MLR highlights some inconsistencies in the insurance carrier's rating methodology.

It's crucial to note that the average rate increase has remained relatively modest over the last five years, hovering at around 2%. Notably, this gradual increment has coincided with adjustments made to the SHIP plan design, leading to increased out-of-pocket expenses for students seeking medical care.

In scenarios where there is a large student population enrolled in SHIP, insurance companies might employ underwriting methodologies that deviate from the typical trend norms to sustain their business. This shift underscores the complexity of managing insurance programs for a diverse and evolving student population within the UNC System.

Plan Year	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Rate	\$1,347.24	\$1,573.68	\$1,697.76	\$2,192.76	\$2,510.76

2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
\$2,558.52	\$2,597.76	\$2,587.56	\$2,587.56	\$2,674.92	\$2,755.56

Figure E1 *\$20 Administrative fee is not included in the above rates.

Summary of Findings and Discussion

RA/TA Rate History

At NC State, the SHIP rates have experienced an average increase of 8% over the past five years. However, the rate of increase has significantly escalated since 2018, reaching a notable 38%.

Conversely, at UNC-Chapel Hill, the average increase in SHIP rates stands at 6%, with a substantial 31% increase observed since 2018.

NC State	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Student	\$2,241.96	\$2,496.00	\$2,611.80	\$2,691.00	\$2,957.40	\$3,093.00
Student and Spouse	\$4,461.24	\$4,966.80	\$5,196.60	\$5,353.20	\$5,881.80	\$6,153.60
Student and Children	\$4,690.32	\$5,221.80	\$5,463.60	\$5,628.60	\$6,186.00	\$6,471.60
Family	\$6,896.52	\$7,692.60	\$8,048.40	\$8,290.80	\$9,111.00	\$9,532.20

Figure E2

UNC-Chapel Hill	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Student	\$3,902.64	\$4,028.28	\$4,129.80	\$4,212.60	\$4,740.60	\$ 5,096.04
Student and Spouse	\$7,805.28	\$8,056.56	\$8,259.00	\$8,422.80	\$9,478.56	\$10,172.52
Student and Children	\$8,230.92	\$8,495.88	\$8,709.60	\$8,883.00	\$9,996.48	\$10,763.40
Family	\$12,133.56	\$12,524.16	\$12,838.80	\$13,093.20	\$14,734.32	\$15,839.76

Figure E3

Summary of Findings and Discussion

Postdoctoral Rate History

The average increase over the last five years has amounted to 7%. However, in the past two academic years, 2021-2022 and 2022-2023, the average renewal increase has surged to 14%, or 15% and 13%, respectively. Given this two-year trend, the postdoctoral program must exercise vigilance in monitoring claims utilization.

Postdoctoral	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Student	\$3,938.76	\$4,030.08	\$4,238.40	\$4,238.40	\$4,874.52	\$5,506.20
Student and Spouse	\$7,876.68	\$8,059.44	\$8,427.60	\$8,427.60	\$9,690.96	\$10,945.80
Student and Children	\$7,876.80	\$8,059.56	\$8,500.44	\$8,500.44	\$9,778.56	\$11,045.40
Family	\$11,814.60	\$1,204.44	\$12,660.60	\$12,660.60	\$14,560.32	\$16,485.00

Figure E4 Plan design over the 6 plan years have not considerably changed.

Summary of Findings and Discussion

Medical Claims Trend

Utilizing claims trends is a common practice among all carriers. Usually, carriers align their calculations with national and regional medical trends. Each carrier includes its unique medical trend factor when establishing renewal rates, influenced by its specific business portfolio.

However, it's worth noting that the claims trend utilized by BCBSNC for renewal calculations within the UNC System exhibits inconsistencies across all plans. This variance in how the claims trend is applied can lead to fluctuations in renewal rates and highlights the importance of carefully analyzing and addressing these discrepancies to ensure fair and accurate pricing for the UNC System's student health insurance plans.

Student Health Insurance Plan 16 Universities

Renewal	Claim Trend	Preliminary Rates	Final Rates
2019-2020	10.0%	2.2%	1.5%
2020-2021	5.2%	-0.4%	-0.4%
2021-2022	7.0%	2.0%	0.0%
2022-2023	5.6%	7.0%	3.4%
2023-2024	7.0%	6.3%	3.0%
Five-Year Average	6.9%	3.4%	1.5%

Figure F1

RA/TA NC State

Renewal	Claim Trend	Preliminary Rates	Final Rates
2023-2024	6.9%	9.9%	8.0%

Figure F2

RA/TA UNC-Chapel Hill

Renewal	Claim Trend	Preliminary Rates	Final Rates
2023-2024	6.8%	9.3%	7.5%

Figure F3

Postdoctoral

Renewal	Claim Trend	Preliminary Rates	Final Rates
2023-2024	5.9%	14.8%	13.0%

Figure F4

Summary of Findings and Discussion

SHIP Medical Loss Ratio

Evaluating the Medical Loss Ratio (Premiums Paid vs. Claims Paid) is crucial for assessing SHIP's performance. Over the last five years, there has been a consistent rise in claims. While there are multiple contributing factors to this increase, one noteworthy factor is the medical trend. However, upon closer examination, it becomes apparent that the renewal factors from BCBSNC do not consistently align with the MLR performance of the plan, as detailed in the financial analysis section.

Renewal	Claims	Premium	Loss Ratio
2018-2019	\$57,393,593	\$80,563,898	71.2%
2019-2020	\$56,961,704	\$79,090,732	72.0%
2020-2021	\$57,861,609	\$68,700,292	84.2%
2021-2022	\$61,251,853	\$69,442,976	88.2%
2022-2023 *	\$34,027,889	\$41,710,504	81.6%

Figure F4.1

*Partial year: August 2022 to February 2023

Dependent Medical Loss Ratio RA/TA

The medical loss ratio for dependents doesn't indicate a substantial outlier.

Covered Period	Plan Relationship	NC State RA/TA Plan			UNC-Chapel Hill RA/TA Plan		
		Dependent	Spouse	Student	Dependent	Spouse	Student
5/2020-4/2021	MLR	2%	4%	93%	2%	5%	93%
5/2021-4/2022	MLR	7%	3%	90%	1%	7%	92%
5/2022-4/2023	MLR	1%	2%	96%	4%	4%	91%

Figure F5

Dependent Medical Loss Ratio for Postdoctoral Scholars

The MLR of postdoctoral dependents demand meticulous attention and scrutiny. It is especially critical given that health insurance coverage enrollment for postdocs' dependents is voluntary, resulting in lower enrollment rates and the potential emergence of adverse selection. Adverse selection in insurance occurs when individuals with a higher likelihood of filing insurance claims are disproportionately inclined to obtain or keep insurance coverage, as opposed to those with lower risk profiles. This scenario can result in an uneven risk distribution within the insurance pool, potentially causing elevated costs and losses for the insurer. Adverse selection materializes when the individuals in greatest need of insurance are the predominant group seeking it, causing a surge in claims and financial liabilities for the insurer.

Summary of Findings and Discussion

In these circumstances, it is imperative to conduct a thorough evaluation and actively manage the ramifications of adverse selection on the SHIP for postdoc dependents to safeguard its financial stability and operational effectiveness.

Covered Period	Campus	ECU Postdoc Plan			NC Central Postdoc Plan			NC State Postdoc Plan			UNC Chapel Hill Postdoc Plan			UNC Charlotte Postdoc Plan		
	Plan relationship	DEP	SP	Student	DEP	SP	Student	DEP	SP	Student	DEP	SP	Student	DEP	SP	Student
5/2020-4/2021	MLR	4%	32%	64%	13%	20%	67%	4%	6%	90%	14%	13%	73%	2%	21%	77%
5/2021-4/2022	MLR	3%	23%	74%	7%	0%	93%	6%	7%	87%	10%	16%	75%	18%	17%	65%
5/2022-4/2023	MLR	31%	26%	43%	4%	1%	96%	2%	6%	93%	16%	11%	73%	12%	5%	80%

*Figure F6

*There is no data available for UNCW because of the low enrollment in the Postdoc plan.

Summary of Findings and Discussion

COBRA Overall MLR for Postdoc

The medical loss ratio for COBRA participants in the current period is concerning, particularly with an average loss ratio of 176% observed across the three universities participating in the postdoctoral program. On the flip side, three universities are not reporting any COBRA activity at the moment.

It's important to emphasize that providing COBRA coverage for postdocs can significantly impact the health insurance program, primarily due to adverse selection. Adverse selection occurs when individuals with higher healthcare needs are more likely to opt for COBRA coverage.

Additionally, it's worth noting that postdoctoral programs fall under the category of ERISA plans and must adhere to ERISA guidelines, including offering COBRA coverage. This requirement necessitates careful consideration when deciding between offering a postdoctoral ERISA plan or providing a standard SHIP, as it has implications for the program's financial dynamics and overall sustainability.

Time Frame	4/22-4/23	4/22-4/23	4/22-4/23	4/22-4/24
University	ECU	UNC-CH	NCSU	Average
Members	7	4	8	6
Member Months	63	56	110	76
12-Month Revenue	\$22,764.08	\$12,953.54	\$32,060.54	\$22,592.72
12-Month Medical Expense	\$9,474.00	\$42,610.77	\$47,515.62	\$33,200.13
12-Month Rolling MLR	39%	345%	144%	176%

Figure F7

Summary of Findings and Discussion

Total Paid Claims Break Out for Past Three Years

The data presented below offers a comprehensive breakdown of claims at a specific point in time. It's evident that the majority of enrolled claimants in SHIP have annual claims totaling less than \$500. This insightful analysis sheds light on the utilization patterns of a significant portion of SHIP-enrolled members.

Furthermore, this information is invaluable when it comes to the process of designing and customizing the SHIP to align with the specific needs of the enrolled population. The following data provides a detailed breakdown of claims over three years, offering a comprehensive view of the utilization trends within the plan.

Time Period (12 Months Ending in Date Shown)	Claims Breakout	Claimants	Total Paid	
3/31/2021	A \$0 to \$500	18,129	\$3,001,152.26	A considerable majority, accounting for 61% of enrolled members, have claims that are below the \$500 threshold.
3/31/2021	B between \$501 and \$1000	4,084	\$2,882,533.58	
3/31/2021	C between \$1001 and \$1500	1,867	\$2,292,987.32	
3/31/2021	D between \$1501 and \$2000	1,199	\$2,073,009.43	
3/31/2021	E between \$2001 and \$5000	2,438	\$7,546,164.69	
3/31/2021	F between \$5001 and \$10000	822	\$5,740,488.97	
3/31/2021	G between \$10001 and \$20000	522	\$7,328,390.93	
3/31/2021	H between \$20001 and \$50000	310	\$9,390,916.92	
3/31/2021	I more than \$50000	108	\$10,470,322.20	
3/31/2022	A \$0 to \$500	23,938	\$4,027,245.31	A fraction of claimants, or 0.4%, have accumulated claims exceeding \$50,000.
3/31/2022	B between \$501 and \$1000	5,638	\$4,013,827.49	
3/31/2022	C between \$1001 and \$1500	2,682	\$3,311,254.79	
3/31/2022	D between \$1501 and \$2000	1,711	\$2,973,031.77	
3/31/2022	E between \$2001 and \$5000	3,796	\$11,931,959.10	
3/31/2022	F between \$5001 and \$10000	1,429	\$9,893,100.08	
3/31/2022	G between \$10001 and \$20000	913	\$12,881,436.94	
3/31/2022	H between \$20001 and \$50000	514	\$15,306,433.53	
3/31/2022	I more than \$50000	213	\$22,800,151.05	
3/31/2023	A \$0 to \$500	40,107	\$3,403,014.39	A significant majority, equaling 71% of enrolled members, have claims totaling less than \$500.
3/31/2023	B between \$501 and \$1000	5,259	\$3,748,771.69	
3/31/2023	C between \$1001 and \$1500	2,574	\$3,173,241.38	
3/31/2023	D between \$1501 and \$2000	1,694	\$2,943,374.82	
3/31/2023	E between \$2001 and \$5000	3,954	\$12,494,669.76	
3/31/2023	F between \$5001 and \$10000	1,495	\$10,322,721.40	
3/31/2023	G between \$10001 and \$20000	849	\$11,978,896.67	
3/31/2023	H between \$20001 and \$50000	547	\$16,349,552.35	
3/31/2023	I more than \$50000	205	\$24,160,406.41	

Figure G

Summary of Findings and Discussion

Student Health Centers Claims

At all 16 universities within the UNC System, the SHCs diligently pursue reimbursement from BCBSNC for claims incurred by students enrolled in the BCBSNC SHIP. It's important to note that not all student health centers engage in third-party billing for commercial plans. This time-consuming process is often constrained by limited staff and resources, a challenge faced by many universities. Only a handful of universities have successfully streamlined third-party billing for most commercial carriers, with UNC-Chapel Hill, NC State and UNC Pembroke having more comprehensive mechanisms in place for this purpose. Furthermore, both UNC-Chapel Hill and NC State are credentialed with Medicaid, another demanding and complex process many SHCs grapple with.

Consequently, for students not enrolled in SHIP, certain SHCs provide services without seeking reimbursement from commercial insurance carriers. Charging practices for SHCs vary among universities. For example, UNCW charges all students directly for procedures, labs, or prescriptions, but they process claims through Blue-e, with students receiving reimbursement checks directly from BCBSNC SHIP. For majority of the universities, the revenue generated from BCBSNC reimbursements for SHIP-enrolled students is important in sustaining the delivery of care by student health centers to all students. This underscores how SHIP-enrolled students effectively subsidize the healthcare of non-enrolled SHIP students when consistent third-party billing isn't employed. Moreover, students covered by their parents' plans may not enjoy the same level of coverage as SHIP, which boasts a low deductible.

The subsequent claims summary spans the past three years, categorizing these factors by plans and years, illustrating the depth of BCBSNC reimbursements for each plan. Notably, the average reimbursement for each plan remains relatively stable year after year, with minimal fluctuations.

For a more comprehensive understanding specific to each university's situation, please refer to the detailed information provided in the reference section.

Plans	8/1/20-7/31/2021	8/1/21-7/31/2022	8/1/22-7/31/2023	Average
SHIP	\$3,477,086.85	\$3,807,028.94	\$3,876,499.72	\$3,720,205.17
RA/TA	\$1,527,258.01	\$1,625,348.88	\$1,546,228.38	\$1,566,278.42
Postdoc	\$236,330.80	\$257,810.70	\$225,072.44	\$239,737.98
Total SHC	\$5,240,675.66	\$5,690,188.52	\$5,647,800.54	\$5,526,221.57

Figure H

Athletics

Each university currently manages the financial aspects of student-athlete injuries differently. To enhance efficiency and promote health equity, further discussions and research are necessary to streamline this process.

Summary of Findings and Discussion

GEO BLUE- Inbound International: (Non-ACA plan)

The GEOBlue® plan is offered to incoming UNC System international students. The overall average enrollment in this plan comprises 223 members, including 189 students, 14 spouses and 20 children. It's important to note that international students can enroll with their spouses and dependents under this plan. The primary objective behind establishing this plan was to cater to international students whose family members could not enroll in the SHIP plan. However, international students without dependents can enroll in the SHIP Plan.

It's worth highlighting that the GEOBlue plan aligns with all J1 requirements. Below is a breakdown of the eligible classes for GEOBlue Coverage, according to information published by the carrier:

Class I. An international student, scholar, visiting faculty or other person with a current passport or non- immigrant visa, temporarily located outside their home country as a non-resident alien, and:

- a. Is engaged in educational activities of the member.
- b. Has not obtained permanent residency status in the United States.
- c. Is not a U.S. Citizen.

Class II. Participants engaged in a sponsored English language program or similar program of the member and maintains a valid F, J or M visa status, and:

- a. The participant has not obtained permanent residency status in the United States.
- b. The subscriber is not a U.S. Citizen.

Class III. Eligible dependents of any of the above classes.

Below are average enrolled plan members in GEOBlue. There are minor fluctuations observed throughout the year. The enrolled population comprises a smaller number of students and dependents.

Eligibility Date	Participants Average	Spouses Average	Children Average	Total Members
7/31/2022 -7/31/2023	189	14	20	223

Figure I

Plan and Rate History and MLR with GEOBlue for International Students

The rate history has faced challenges, primarily due to a single year marked by high claims. Following that, the plan's performance has improved significantly.

Year	2019	2020	2021	2022	2023
Rate Weekly Rate	\$26.75	\$30.15	\$33.01	\$35.00	\$37.35
Rate Increase	20%	13%	10%	6%	7%
Plan Changes	Increased deductible to \$100	Increased deductible to \$500	ER copay increased to \$250 USD	no change in benefits	no change in benefits
	Changed co-insurance to 90/70	Increased OOP Maximum to \$3500	Inpatient and Outpatient Hospital copay increased to \$100		
	Decreased OOP Maximum to \$1500	Increased RMR to 50K at no cost			
MERE Monthly	Not available	Not available	Not available	\$10.75	\$10.75
MLR	182%	78%	36%	Not available	Not available

Figure I A

Summary of Findings and Discussion

Self-Funding Option

A comprehensive analysis of the potential financial benefits of self-funding has been conducted. This involved a thorough review of Stop-Loss Carrier, TPA (Third Party Administrator), and ASO (Administrative Services Only) costs, along with Insurance carrier expenses for the UNC System. It's imperative to highlight that the selection of vendors will play a vital role in achieving substantial financial gains for the UNC System when transitioning to a self-funded SHIP program.

For a deeper insight into the financial implications and advantages, please consult the "Comprehensive Financial Analysis" section. This segment offers a detailed breakdown of our findings, the recommended reserve to initiate the self-funded SHIP program, and a thorough cash flow analysis.

Benefit Plans

- Student Health Insurance (16 Universities – Community Rate)
- Postdoctoral (Six Universities)
- RATA (Two Universities – Independent Rates)

Rating Methodology

- Various option for rates based on utilization between universities. Medical/Prescription Drug Vendors.
- The current medical vendor is BCBSNC.
- Various scenarios have been presented revealing savings over the current fully insured model.
- Projections assume prescription drug coverage is self-funded and rebates will be provided to UNC System.

Stop-Loss Reinsurance

- Quotes for stop-loss thresholds of \$550,000, \$750,000 and \$1 million were requested.
- Various scenarios have been proposed.
- SHIP is proposed with a \$1 million threshold and postdoctoral and RATA are proposed with a \$550,000 threshold.

All stop-loss options assume a 12/12 arrangement for year one. This would change to a 24/12 in year two and beyond. The first number in the stop-loss arrangement reflects the number of months of incurred claims, and the second number reflects the number of months of paid claims. In the first year, SHIP is only responsible for claims incurred and paid in the twelve months of the stop-loss policy.

Summary of Findings and Discussion

Potential Savings with Pharmacy

A change from fully insured to a self-funded arrangement could save between 10-12% in drug claims conservatively as outlined below. Most of these savings are attributed to acquiring prescription Rx Rebates from the carrier responsible for administering the plan. While a 10-12% rebate might appear relatively modest compared to industry benchmarks in the commercial market — they typically fall within the range of 20-30% — this estimate is influenced by the unique demographics and high utilization of generic drugs among the student population. This analysis is based on several benchmark comparisons, including other similarly paired self-funded clients with various BCBS plans in the eastern region.

Finding a competitive Pharmacy Benefit Manager (PBM) will typically save money, and choosing a vendor who shares the Rx Rebate in a self-funded arrangement can benefit the UNC System. Although BCBSNC shared prescription data, they could not share the necessary information to conduct a full analysis due to the current funding arrangement. However, the data in this analysis depicts potential savings. Once the UNC System moves to a self-funding arrangement, more data can be gathered to conduct a thorough review to realize further savings. Also, the UNC System can work with a PMB vendor to customize its SHIP pharmacy program. It is important to select the right vendor. Our overall savings can vary depending on who UNC System decides to work with.

UNC System	Total Paid Pharmacy Claims 3/22-2/23	Savings 10%	Savings 12%
SHIP	\$16,278,022	\$1,627,802	\$1,953,363
RA/TA -NC State	\$2,699,568	\$269,957	\$323,948
RA/TA- NC -Chapel Hill	\$3,890,425	\$389,043	\$466,851
Postdoctoral	\$1,789,569	\$178,957	\$214,748
Total	\$24,657,584	\$2,465,758	\$2,958,910

Figure J

RFP Responses for ASO and Stop-Loss

The availability of carriers offering fully insured health insurance plans nationwide is limited. The pool of carriers extending self-funded SHIP programs is even more limited, with carrier options encompassing BCBSNC, Aetna, Wellfleet and United Healthcare. Notably, no universities in North Carolina currently operate under self-insured models.

To conduct a thorough self-funding feasibility analysis, obtaining a comprehensive breakdown of potential costs, including stop-loss and ASO fees, was essential. The overall fixed costs, which encompass ASO and stop-loss insurance coverage, can vary significantly among carriers. Therefore, conducting an extensive market review to identify a carrier that can provide a competitive bid is crucial for establishing a cost-effective self-funded SHIP program.

A network disruption assessment was conducted with the carriers to ensure a network comparable to BCBSNC. The objective was to minimize provider changes for current members seeking care and to

Summary of Findings and Discussion

ensure an adequate number of providers meet the needs of 16 universities in the UNC System. This process is of paramount importance and should not be overlooked.

When self-funding, the UNC System has the flexibility to enhance and customize the provider network if necessary. However, the network is predetermined when selecting an ASO vendor. Choosing a vendor with a more substantial discount on the provider network can significantly benefit the UNC System by reducing the total claims payment. This decision is crucial when self-funding, as it allows for selecting a provider network that might offer greater discounts provided by the insurance carrier or an ASO vendor. Negotiations with providers are handled by the ASO vendor chosen by the UNC System.

Eligibility

The eligibility requirement for the Hard Waiver is outlined below:

Undergraduate Students

- Enrolled in a minimum of six credit hours per semester.
- Enrolled in a degree-seeking program.
- Eligible to pay the university student health fee.

Graduate Students

- Enrolled in a minimum of one credit hour per semester.
- Enrolled in a degree-seeking program.
- Eligible to pay the university student health fee.

Special Student Populations

- International students: All international students in some non-immigrant visa categories have health insurance stipulations mandated by federal regulation (e.g., medical evacuation, repatriation and other requirements).
- All degree-seeking international students, regardless of semester credit hour level, are eligible to purchase the hard waiver-rated plan.
- Students in non-degree programs: Participants in non-degree seeking programs are eligible for the hard waiver-rated plan if:
 - The program is sponsored by the university.
 - Participants pay the University Student Health Fee.
 - All program participants are required by the UNC System to have health insurance.

Optional Practical Training (OPT) for F-1 Students

- OPT students are not eligible for SHIP; which is a recommended practice. Excluding OPT students from the SHIP helps maintain a healthier risk pool, helps maintain a healthier risk pool, as this reduces the potential risk for adverse selection.

Waiver Deadline and Billing Statement

- Payment: Fall billing statement is due August 15, 2023.
- Waiver deadline: September 11, 2023 for Fall; January 31, 2024 for Spring

Summary of Findings and Discussion

Student Health Centers Interviews

Across all 16 of the universities, consistent themes emerged. Employees at each university displayed an unwavering commitment to providing exceptional care to students. Their dedicated efforts to excel in their role for the betterment of students were truly commendable. Among directors and staff, active participation in associations and interactions with peer universities showcased their engagement by staying informed and maintaining an acute awareness of the evolving healthcare delivery landscape.

Shared challenges among the universities span budget concerns, the need for additional financial backing and staffing constraints. Moreover, a rising demand for mental health support among students was a common thread, underscoring a widespread need for additional support. Below are findings from the SHCs:

- Dedicated SHC serving students across 16 universities.
- There is a unanimous commitment to preserving the integrity of the existing SHIP plan.
- Exploring the provision of dental coverage for students.
- Efforts to recruit and retain qualified staff.
- Navigating within the confines of budget constraints.
- Advocacy for effective support for third-party billing processes.

Detailed testimonials have been provided in the reference section of this report. Below are few of the examples:

NC State University

May Kudos!

From Patient Satisfaction Survey

I particularly want to thank Dr. C. Masere! He's a great doctor with high level of expertise and amazing kind personality. Staff was friendly and helpful. -Patient seen in Lab/X-ray			I love Dr. Hinton! She is always extremely friendly and empathetic. I always feel like she really hears me and my concerns, and truly cares about my health and wellbeing.
I was really pleased with how quickly I was able to get the testing done at campus health. I was only there for 20 minutes, then was able to return to my work. -Patient seen in Lab/X-ray	I particularly want to thank Dr. C. Masere! He's a great doctor with high level of expertise and amazing kind personality. Staff was friendly and helpful. -Patient seen in Lab/X-ray	I would like to thank you my providers Tara and nurse Jamie for attention and care. You provide proper feedback and everything. -Patient seen in Primary Care	Everyone was friendly, cheerful and communicated efficiently and effectively. The staff are also personable, and I feel like and individual and not just a patient when I come in for my medical visits. I really appreciate that! -Patient seen in primary care
Lindsay was very friendly and helpful! No points of Improvement! -Patient seen in Nutrition Counseling	Everything went well and was clear and easy to understand Thank you. -Patient seen in Treatment	Great service! -Patient seen in Lab/X-ray	

Summary of Findings and Discussion

Voluntary Dental Coverage

In response to requests from the UNC System during university visits and interviews, an estimate of the cost for voluntary dental coverage was provided by a reputable carrier for illustrative purposes. It's important to note that actual dental rates will likely be considerably lower, depending on the percentage of students enrolling in the program. Given the system-wide scope of the program, it has the potential to offer a comprehensive plan without any waiting periods for services, along with a lower-cost option for students on a voluntary basis:

Dental Plan Design

- \$50 Deductible
- 100/80/50 (Preventative/Minor/Major services)
- Annual Max: \$1,000; \$41.20 Monthly Rate
- Annual Max: \$1,500; \$45.48 Monthly Rate
- Annual Max: \$2,000; \$48.32 Monthly Rate

Summary of Findings and Discussion

Current Governance Structure

It's crucial to understand the UNC System's current governance structure to build upon when implementing a self-funded SHIP. The current structure entails members who review and manage the SHIP program.

- The decision-making process for the SHIP is a collaborative effort involving the system's leadership team, with coordination and leadership by Bethany Meighen, Vice President for Academic and Student Affairs.
- NCAIA serves as the Agent of Record and possesses the authority to quote, secure and bind policies for the UNC System. The UNC System is mandated to collaborate with NCAIA for placing SHIP with BCBSNC. No other broker is permitted, as this authority has been established by statute in 1951 (Gen Stat § 58-31-55).
- UNC System utilizes the actuarial services provided by USI, an insurance and brokerage consulting firm to assess the renewal process. USI evaluates utilization claims data supplied by BCBSNC, offering guidance on the fair value of the current SHIP renewal.
- Brian Usischon, Senior Associate Vice President for Human Services, offers valuable support throughout the renewal process.
- An Advisory Committee composed of Student Health Center Directors is established to offer guidance and support concerning SHIP:
 - Ken Pittman, UNC-Chapel Hill
 - Dr. Katrin Wesner-Harts, UNC Wilmington
 - Margaret Bumgarner, Appalachian State University (App State)
 - Dr. Mari Ross, UNC Charlotte
 - Dr. Padonda Webb, North Carolina Agricultural and Technical State University (N.C. A&T)
- The management of the SHIP program varies across each university; it involves enrollment processes and the waiver administrative platform administered by BCBSNC:
 - BCBSNC provides email campaign and postcard mailings during the waiver period.
 - For Fall 2023, ten email blasts spanning late June through early September were sent to 985,000 email addresses. Many may have received multiple email blasts.
 - Postcard mailed out to all registered students.
 - Change Healthcare (formerly Emdeon) provides electronic waiver verification; BCBSNC internal systems assist students carrying its insurance.
 - Students can enroll for Fall, Spring and Summer semesters, qualifying life events (QLE) or early arrivals (i.e., student athletes).
- The UNC System charges students' accounts a semester at a time:
 - Fall Semester runs five months, from Sept. 1-Dec. 31.
 - Spring Semester runs seven months, from Jan. 1-July 31.
 - Premiums are prorated for Summer, QLE and early arrivals.

Summary of Findings and Discussion

- A \$20 administrative fee is included in SHIP rates, which is allocated to SHCs within the UNC System. This fee helps support the salaries of team members responsible for the waiver process.
- Invoicing, reconciliation and payment:
 - Premium to BCBSNC starts in late September through the first week of December:
 - BCBSNC sends each university enrollment census for reconciliation.
 - Each university reconciles the enrollment census and resubmits to BCBSNC.
 - BCBSNC sends NCAIA invoices mid- to late October.
 - NCAIA submits the invoice to NCDOL. Once approved, BCBSNC invoices each of the universities for payment
- Below is an ideal timeline of invoicing and payment provided by BCBSNC:
 - Preliminary membership roster sent to universities: 9/30
 - Preliminary membership roster due from universities: 10/6
 - BCBSNC sends final invoices to NCAIA: 10/13
 - NCAIA sends final invoice/documents to universities: 10/18
 - Universities remit payment to BCBSNC: 11/20

NC State and UNC-Chapel Hill independently manage the RA/TA SHIP Program. Each university makes individual decisions regarding plan design, with separate rating assessments. Students cover their dependent premiums, and the RA/TA program does not impose an administrative fee on SHIP rates.

Depending on the specific RA/TA program at each university, some universities may bear the costs, and some don't. For example, UNC-Chapel Hill and ECU cover the entire cost of the premium for their students. But N.C. A&T does not. This diversity in premium coverage policies has financial implications for each university, and the cost of SHIP is essential for effective financial planning and program sustainability.

In the case of the postdoctoral health insurance program, each of the six participating universities manages its own program. The administration of COBRA falls under BCBSNC's purview. The UNC System postdoctoral program provides BCBSNC with an enrollment file containing terminated postdoc members; A BCBSNC representative inputs this information into the WageWorks portal. Subsequently, WageWorks sends COBRA notifications to members and manages premium collection. Similar to the RA/TA program, dependent premiums are paid by the student. However, the postdoctoral program does not apply an administrative fee to its health insurance rates.

Summary of Findings and Discussion

It is essential to undertake a comprehensive review of the premium contribution policy. Most universities cover the cost of premiums for their students, and this financial commitment significantly impacts the overall costs borne by the universities. This review is vital to assess the financial implications and sustainability of the premium contribution policy. It may lead to potential adjustments to ensure long-term program viability.

Governance Structure

Benefits of Self-Funding

The consistent theme among universities that currently self-fund their SHIP underscores a prevailing satisfaction with their self-funded approach and a belief that the advantages outweigh the disadvantages. This satisfaction is so pronounced that these universities intend to continue their self-funding strategy. The presence of a sufficient reserve is seen as a critical element in providing financial security to navigate the ebbs and flows of claims, a principle that holds true for both self-funded and fully insured universities.

When a university opts for self-funding, it grants them various advantages that empower them to tailor their approach to student health insurance. This flexibility extends to plan design, the ability to sidestep state mandates, transparency in accessing claims data, risk management and the freedom to cater to students' specific needs. Objectives may vary within various university departments, but the sense of empowerment stems from the complete freedom, flexibility and control they have over these plans — eliminating the need for annual negotiations with insurance carriers. Typically, the only insurance they need to negotiate is stop-loss coverage; this is a minimal, fixed cost compared to the SHIP premium. Here are some advantages frequently cited by self-funded universities:

- **Plan Cost Containment and Control** – Instead of paying an insurance carrier a predetermined, fully insured premium to an insurance carrier, self-funded universities pay the actual cost of claims. This approach allows them to retain reserves and save on premium taxes, creating a cash flow benefit. Over time, they can build up reserves to safeguard their program against unexpected costs.
- **Plan Design Flexibility** – Self-funding empowers universities to have full control over SHIP design. They can customize plans to meet the specific needs of their student population or adapt them to different universities within the system. This flexibility extends to options like carving out the pharmacy benefit for potential cost savings. Additionally, universities can monitor and customize the pharmacy program, offering benefits such as zero copays for certain medications. Self-funding also permits the integration of various coverages, such as vision, dental and other essential services.
- **Transparency in Claims Data** – Access to claims data offers invaluable insights that empower universities to monitor plan performance, budget effectively and comprehensively understand how the SHIP program is functioning. This transparency plays a pivotal role in creating a sustainable SHIP.
- **Meeting Student Needs** – Self-funding provides the flexibility needed to offer tailored services to students. Direct access to claims data and support from the TPA administering the plan streamline processes allows universities to address specific situations promptly that might have been cumbersome under a fully insured SHIP.

Dartmouth College has maintained a self-funded approach for its SHIP for more than four decades, predating many of the current program administrators. This approach is also embraced by several prominent programs, including Northeastern University, where more than 24,000 students are enrolled

Recommended Governance Structure

in their Self-Funded SHIP program, as well as by various public state universities. Their confidence in self-funding hinges on the adequacy of their reserves, which empowers them to tailor their program to serve students effectively. This self-funding model provides them with a wide array of advantages, similar to those previously mentioned, including:

- **Claims Flexibility in Plan Design** – The ability to craft customized insurance plans that align precisely with the diverse needs of their student body.
- **Claims Management** – Direct control over claims management, allowing for proactive cost management and responsiveness.
- **Cost Containment** – Measures to contain costs while maintaining quality student healthcare services.
- **Budget Forecasting** – Accurate budget forecasting, enabling them to plan and allocate resources effectively.
- **Meeting RA/TA and Postdoc Needs** – Tailoring coverage to meet the unique needs of RAs, TAs and postdoctoral scholars.
- **Administrative Control** – Complete administrative control, reducing the reliance on external entities for program decisions.
- **Student-Centric Flexibility** – The ability to adapt swiftly to evolving student needs and provide tailored services.

Approximately 31 universities nationwide, such as the University of California System, University of Minnesota, University of New Hampshire, University of Wisconsin-Madison, Princeton, Cornell, Harvard and Yale, have adopted a long-term self-funding approach. This strategy has consistently demonstrated its effectiveness in placing the best interests of their students at the forefront. These universities remain steadfast in their commitment to self-funding as long as they maintain sufficient reserves, ensuring they can continue to prioritize program cost control, flexibility and a student-centric approach.

Universities that successfully self-funded their SHIP shared valuable lessons learned. Key takeaways include:

- **Sufficient Reserves** – Ensuring ample financial reserves are in place to weather fluctuations in claims and maintain program stability.
- **Long-Term Commitment** – A willingness to commit to self-funding over an extended period, demonstrating a readiness to navigate both prosperous and challenging claim cycles.
- **Expert Guidance** – Collaborating with a team of knowledgeable consultants and experts who can provide guidance in various critical areas.
- **Actuarial Services** – Leveraging actuarial expertise to analyze and forecast program costs, helping universities make informed financial decisions.

Recommended Governance Structure

- **Administration Support** – Engaging support for the day-to-day program administration, including claims processing and member services.
- **Plan Design** – Crafting insurance plans that align with the unique needs of the student population and that balance coverage with cost-effectiveness.
- **Integral Team Members** – Developing a close partnership with these consultants and experts, integrating them as integral members of the university team on whom they can rely.

With these elements in place, universities find that self-funding their SHIP becomes a smoother and less challenging endeavor than initially anticipated. These lessons emphasize the importance of preparation, commitment and the proper support structure for a successful self-funded SHIP program.

Recommended Governance Structure

Establishing an effective management structure within the UNC System can be simple. A recommended approach is adopting a partnership model encompassing strategic consulting, analytics and comprehensive reporting across various areas, including claims, billing, cash flow, renewal projections and administrative support. This approach significantly enhances the successful implementation and management of a self-funded SHIP, ensuring it has the essential support for a thriving program while minimizing resource requirements.

As the transition to self-funding takes place, each of the 16 universities within the UNC System will maintain its existing business model for managing the SHIP. These institutions will continue interacting with students and seamlessly handle their premium payments, preserving established relationships and business methods.

In the self-funded model, SHIP rates, often referred to as working rates, will be developed similar to the fully insured rates currently offered by BCBSNC. These rates will include fixed and projected claims costs and will be available to students and universities. Developing these rates will involve close collaboration between the UNC System and the actuary within the partnership model.

The UNC System will provide the 16 universities with confirmed SHIP rates and all necessary health insurance documents to start the annual enrollment process. The carrier will work closely with each university to provide appropriate Summary of Benefits and Coverage (SBC) information and various related services, including attending student orientation meetings and mailings. Based on what best serves UNC System's needs and goals, the carrier can handle the waiver process, as currently done by BCBSNC, or a third party can do so.

The UNC System will collaborate with the waiver management team to customize the website with waiver dates, setting "go live" dates, deadlines and extensions. The website will provide direct access to university administrators, allowing them to manage their student body and access information. This decentralized approach, where each university manages its program independently, will remain unchanged. During the initial stages of transitioning to a self-funded model, additional assessment is necessary to improve its efficiency. The UNC System will have access to information across all 16 of its universities.

Recommended Governance Structure

The invoicing method will be contingent on carrier options, with the carrier managing invoicing for each university upon confirming enrollment. The UNC System will gather 50%-75% of the estimated SHIP premium in either September or October, in accordance with past enrollment levels. By this point, universities will have already collected tuition and fees, making it practical to collect the premium to cover incurred claims and contribute to reserve building. If this timeline isn't feasible, the UNC System will need to provide the initial reserve funding.

The UNC System has the opportunity to streamline the invoicing process:

1. Each UNC System university will directly collect the SHIP premium from the students.
2. Each university will then submit these premiums to the UNC System.
 - a. The system can set up an electronic deposit system to create efficiencies.
3. For efficient handling, we recommend the involvement of an external accounting firm or an accounting department within the system who can collect the premium. They can collect the premiums and maintain an account dedicated to the UNC System.
4. With readily available funds, the UNC System will efficiently handle payments to carriers, vendors and claims. They can also oversee the management of funds.

This optimized process ensures smoother financial operations and fund management for the SHIP program.

The carrier and/or the partner working with the UNC System will handle communication about the plan, the delivery of plan documents, and the distribution of the SBC. The partnership model ensures ongoing support to the UNC System throughout the year, ensuring the program runs smoothly and assisting the system office and the 16 individual universities.

Consortium Structure

- Trust and bylaws are established for the collective benefit of UNC System universities.
 - Engagement of legal counsel is essential to ensure compliance with state regulations and statutes.
 - Executive director.
 - UNC System Finance Manager to provide support to the executive director.
 - UNC System General Counsel to provide support to the executive director.
 - Human resources to provide support to the executive director.
- The UNC System office will designate a SHIP self-funded executive director who will oversee the SHIP program.
- The executive director will have one full-time staff member to support administration and other designated functions, which may transition into a part-time position as needed.

Recommended Governance Structure

- The executive director will have access and collaboration with UNC System finance, human resources and general counsel on an as-needed basis.
- The executive director will have various responsibilities, including:
 - Hiring staff and establishing compensation.
 - Contracting with independent consultants, including those under the partnership model.
 - Engaging in an accountant if needed (not provided by the system).
 - Approving vendors.
 - Planning design and program approval.
 - Any type of bonding requirements for employees or persons.
 - Managing programs.
 - Creating an Investment Policy.
 - Managing reserve.
- The executive director will be supported by a partnership model with various components. They'll include a strategic consultant, analytics and reporting, account management, compliance, communication and education and wellbeing and engagement. Have a partnership model with strategic consultant with analytics and reporting, account management, compliance, communication and education and wellbeing and engagement.
- The executive director will manage the waiver and enrollment platform, with the carrier handling many functions. Under the partnership agreement, the partner will support the executive director in managing the carrier relationship, overseeing the carrier's work and providing plan administration support and oversight.
- The executive director will oversee and liaise with the relevant committees (the following are suggestions, but various committees can be established to align with UNC System objectives):
 - Executive committee/advisory committee
 - Oversight
 - Insurance plan design
 - Finance
 - Promoting wellness initiatives
 - Taskforce for mental health/addressing mental health concerns
 - Student engagement/affairs
 - International department
 - Athletics/intercollegiate sports
 - Student health centers
 - Student affairs

Recommended Governance Structure

The Partnership Model for the UNC System has the advantage of reducing staff requirements, resulting in increased operational efficiency. The partner will assume many financial and operational responsibilities, including financial reporting. This financial reporting can be shared with the established UNC System executives and committees, ensuring program transparency. Under the partnership agreement, the partner will also actively participate in meetings and support the executive director. Moreover, the Partnership Model allows for the recommendation and provision of specialists familiar with consortium operations in North Carolina, such as accounting and legal services.

Strategic Consulting

- Multi-year planning
- Sustainability modeling
- Best-in-class strategies
- Evaluate emerging trends

Analytics and Reporting

- Underwriting and actuarial support
- Peer benchmarking
- Monthly reporting
- Data analysis and warehouse
- PBM analytics
- Student body and academic evaluations

Account Management

- Vendor management
- RFP marketing
- Annual service calendar
- Benefit advocate, call center or CSR
- Issue resolution

Compliance

- Attorney/General counsel
- Compliance updates
- Technical bulletins

Recommended Governance Structure

- Webinars
- Seminars

Communication and Education

- Coordinating efforts between the carrier and university stakeholders:
- Multimedia deliverables
- Student culture alignment
- Surveys
- Orientation meetings

Well-being and Engagement

- Coordinating efforts between the carrier and university stakeholders:
- Mental health
- Wellness and healthy lifestyle
- University life support

Billing and Cash Flow

1. Initial invoice based on 50%-75% of previous enrollment will be sent to each university.
2. The UNC System or a designated party will collect payments.
3. Universities confirm enrollment with the carrier.
4. Revised-reconciled invoice will be sent to each university.
5. The UNC System or a designated party will collect the payments.
6. The UNC System will make payment to appropriate vendors:
 - Carriers/ASO/Stop-loss
 - Consultants
 - Actuary services
 - Compliance services
 - Claims payment

Recommended Governance Structure

The strategic consultant will provide the following services for the UNC System office:

- Strategic planning.
- Service plan execution.
- Renewal projections.
- Cost containment strategies.
- Vendor management and negotiations.
- Financial reporting.
- Oversight enrollment and waiver administration.
- Staff training support.
- Claims issue resolution — if needed.
- Plan design.
- Contribution modeling for RA/TA and postdoctoral scholars.
- Attend insurance committee meeting.
- Student communication support.

Waiver and enrollment management will be outsourced to a vendor through an RFP selection process. This service can be delivered by a carrier or an independent provider specializing in enrollment and waiver administration platform.

Benchmarking Study – Peer Institutions

2022-2023 Student Health Insurance

Peer Benchmarking

The intent of this comparison is to illustrate general plan design options offered by the benchmarked schools. It is based on publicly available information posted online.

Gallagher Student Health prepared the following Benchmarking Summary to illustrate a comparison of SHIP offerings among peer institutions of the UNC System. Plan data is based on information that is publicly available on the universities' websites and in plan documents. The information in this summary presents a high-level overview of the key plan design and provisions for plans offered by the following schools:

- Alabama State University
- Bowie State University
- Bowling Green State University
- College of Charleston
- Florida Agricultural and Mechanical University
- Florida Atlantic University
- Hampton University
- Morgan State University
- New Jersey City University
- Northern Arizona University
- Northwestern University
- Ohio University
- South Carolina State University
- SUNY Geneseo
- Texas A&M University-College Station
- University of Florida
- University of Arkansas
- University of Texas System
- University of California-Berkeley
- University of California-Davis
- University of Maine System
- University of Massachusetts-Boston
- University of Michigan-Ann Arbor
- Virginia State University
- Western Michigan University

Benchmarking Study

Key Observations

Here are the key findings from the survey of institutions offering a sponsored Student Health Insurance Plan (SHIP):

- **Participation** – 84% of surveyed institutions provide a sponsored SHIP.
- **Insurance Type** – Among institutions offering a SHIP, 95% have fully insured plans.
- **Premium Range** – Annual premiums for these plans vary widely, ranging from \$109 to \$6,488, with an average premium of \$2,982.
- **ACA Compliance** – A significant majority, or 95% of institutions with SHIPs, offer plans compliant with the Affordable Care Act (ACA), providing unlimited benefits.
- **Waiver Requirement** – Approximately 70% of institutions with SHIPs have a Hard Waiver requirement for most full-time students subject to an insurance requirement.
- **International Students** – 17% of institutions require mandatory enrollment of international students, while 63% enroll international students on a Hard Waiver basis.
- **Plan Design** – Nearly all — 95% — of the institutions offering SHIPs provide one plan design for all eligible students.
- **Deductibles** – Approximately 42% of plans have In-Network deductibles of \$250 or less, and 88% have an In-Network deductible of \$500 or less.
- **Coinsurance** – 65% of plans feature In-Network coinsurance of 80%, while 22% have In-Network coinsurance ranging from 90%-100%. For Out-of-Network benefits, most plans — 61% — have 60%-70% coinsurance.
- **Out-of-Pocket Maximum** – Around 38% of plans have an Out-of-Pocket maximum of \$5,000 or less per student, while 71% have an Out-of-Pocket maximum below \$8,000. In 2022, ACA allowable Out-of-Pocket maximums were \$8,700 for an individual and \$17,400 for a family.

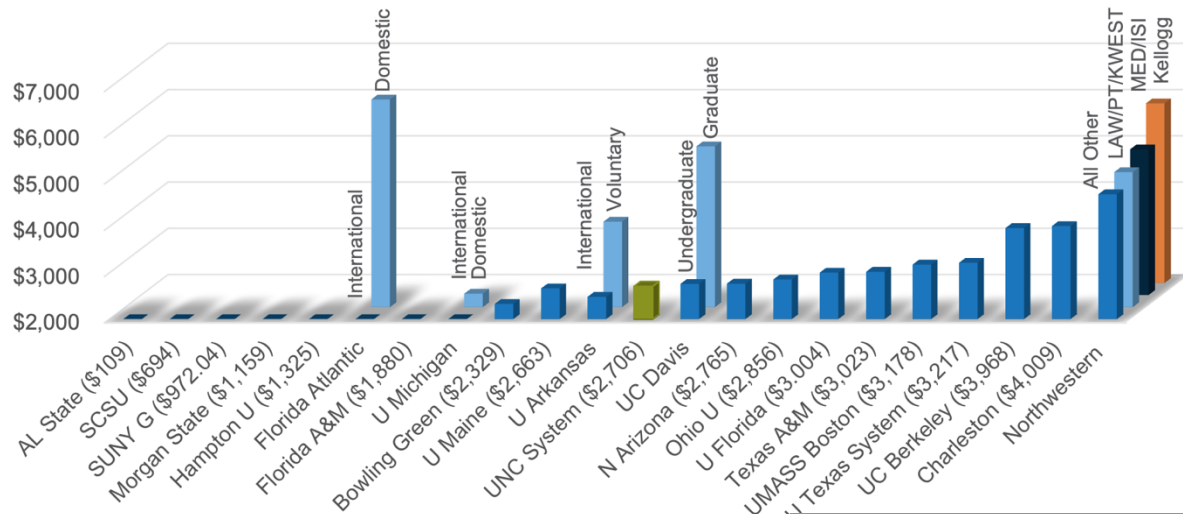
These findings provide valuable insights into the landscape of sponsored Student Health Insurance Plans and their various features and requirements across universities and colleges surveyed.

Benchmarking Study

Comparison Information

2023–2023 Premium Comparison

University of North Carolina System | 2022–2023: \$2,706.16



Average SHIP premium is \$2,982

2022–2023 Peer Institutions with Lower Premiums

Contributing Cost Fast Factors

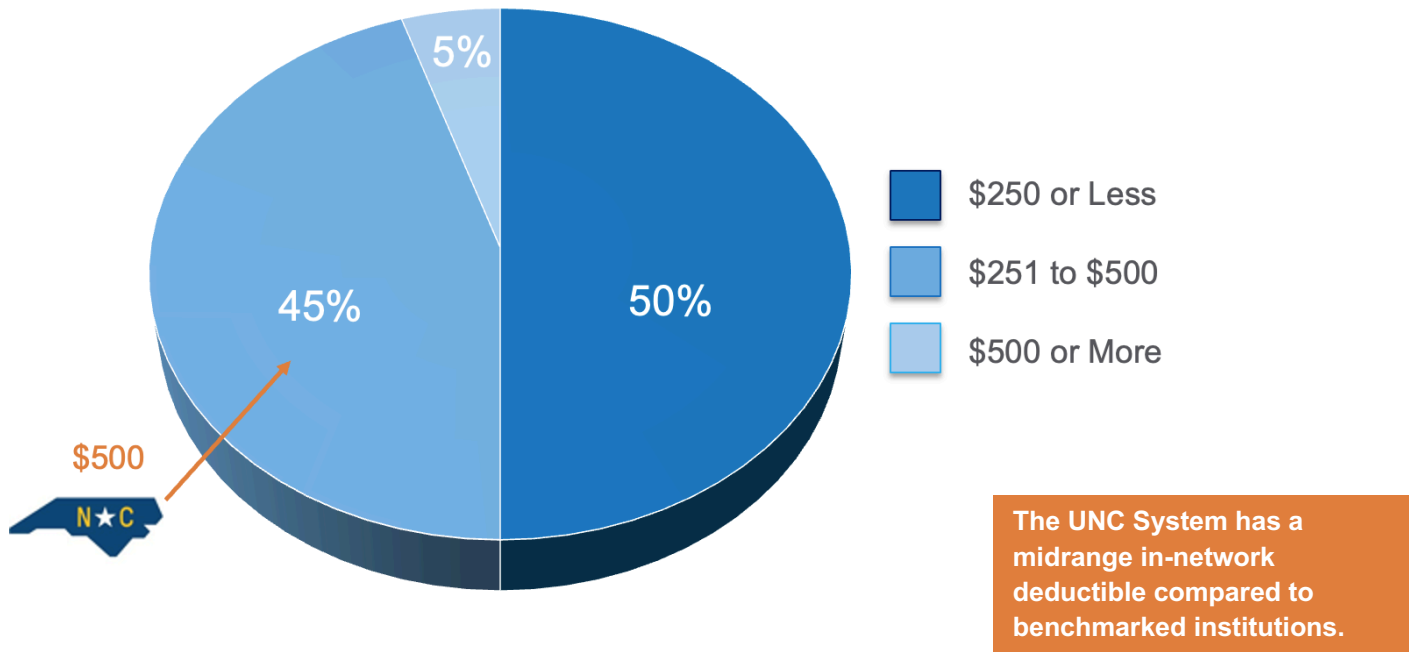


Factors Contributing to Lower Premiums	Factors Contributing to Higher Premiums
Hard waiver requirement with verification	Voluntary enrollment
Larger populations of international students enrolled in SHIP	Smaller populations of international students enrolled in SHIP or separate international plan
Larger percentage of undergraduate enrollment in SHIP (lower average age)	Larger percentage graduate enrollment in SHIP (higher average age)
Low or no dependent enrollment	Higher dependent enrollment
Self-Funded (reduction of premium taxes, no carrier profit margin, greater control of plan design and provisions may lead to lower costs)	Fully-Insured (inclusion of premium taxes, carrier profit margin, less control of plan design and provisions may lead to higher costs)
Plan Provisions that lower expenses to the SHIP <ul style="list-style-type: none"> Referral Requirements Health Center Billing with low-cost fee schedule Prescription Drug Programs -Prior Authorization/ Step Therapy Provider discounts, in-network usage/steerage 	Lack of Plan Provisions that lower expenses to the SHIP <ul style="list-style-type: none"> Referral Requirements Health Center Billing or high-cost fee schedules Prescription Drug Programs -Prior Authorization/ Step Therapy Provider discounts, out-of-network utilization
Benefit Design and cost-sharing levels <ul style="list-style-type: none"> Higher Out-of-Pocket Limits Higher Deductibles Lower Coinsurance Higher Copayments No out of network coverage 	Benefit Design and cost-sharing levels <ul style="list-style-type: none"> Lower Out-of-Pocket Limits Lower Deductibles Higher Coinsurance Lower Copayments More coverage out of network

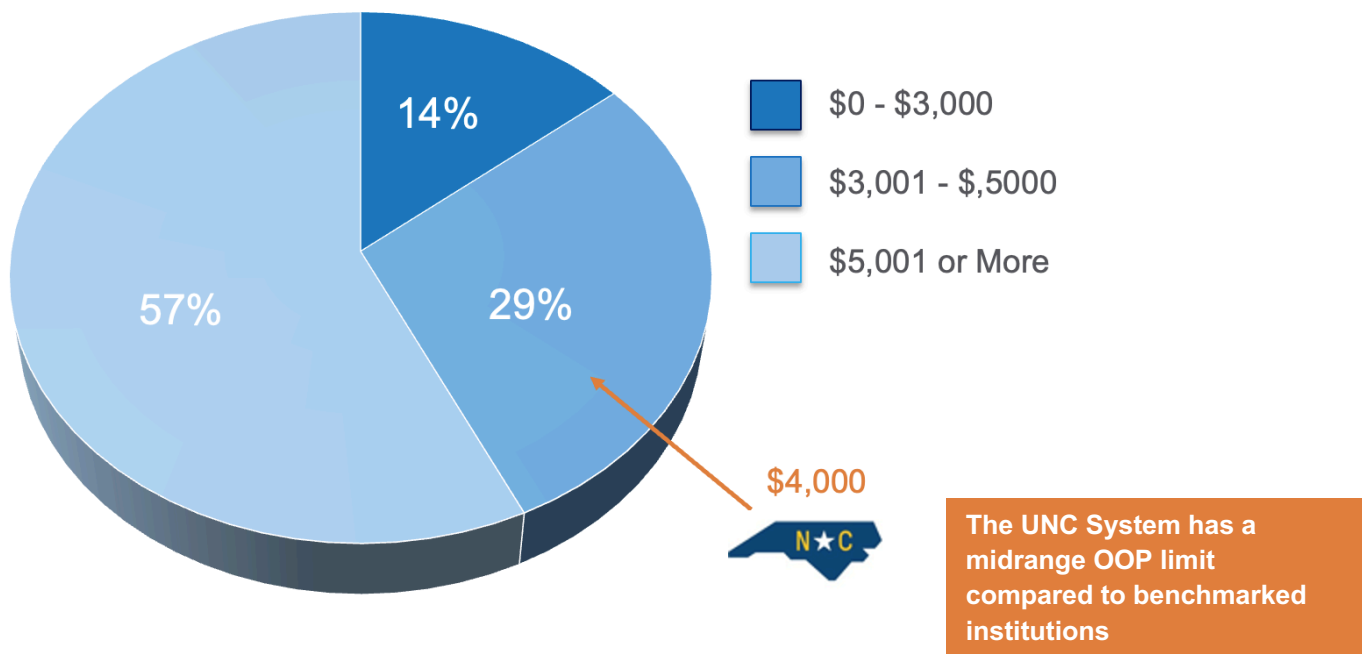


Benchmarking Study

2022–2023 In-Network Deductible Comparison

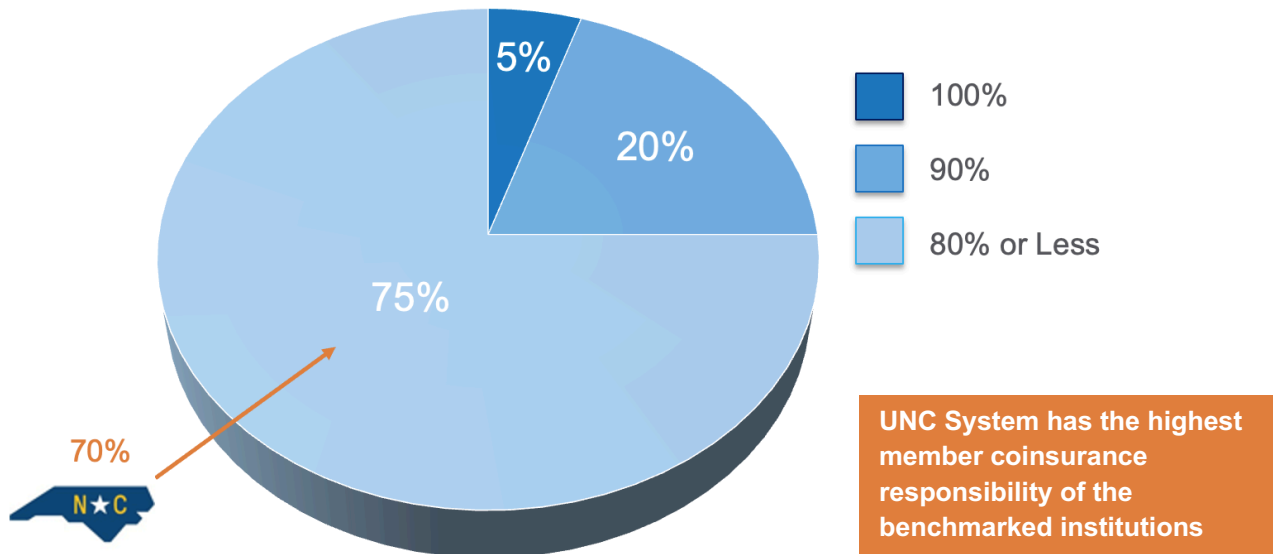


2022–2023 Individual In-Network Out-of-Pocket Comparison

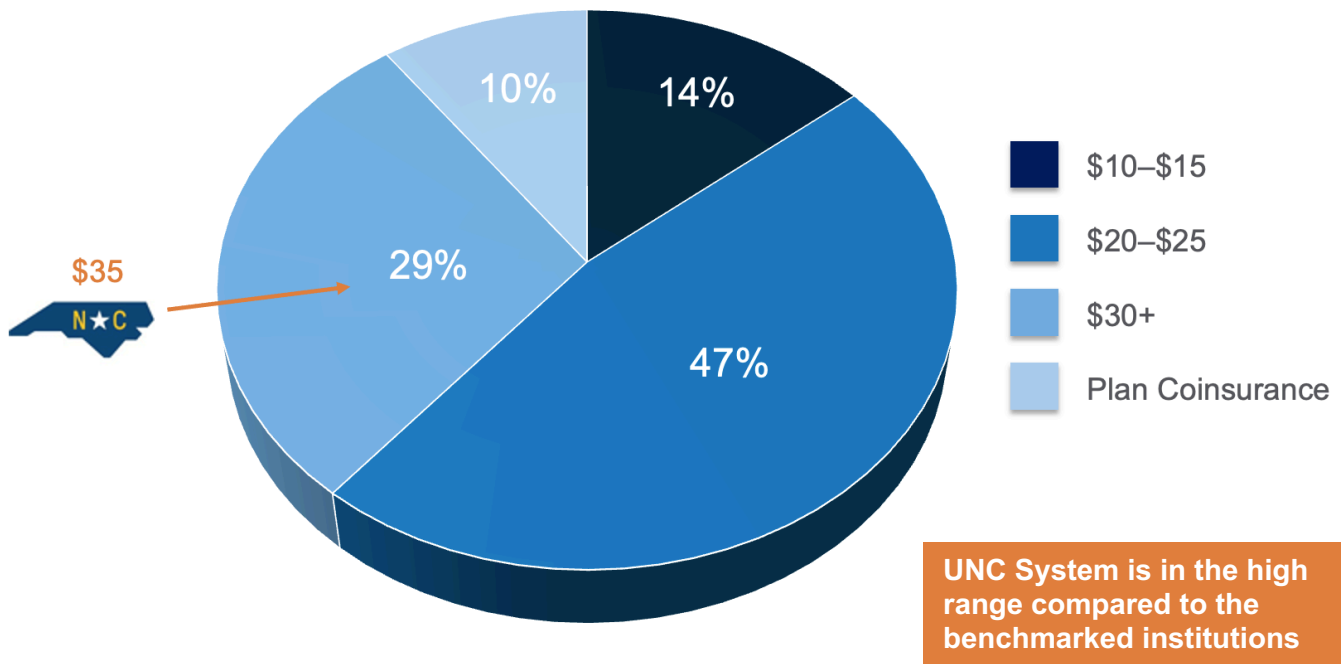


Benchmarking Study

2022–2023 In-Network Coinsurance Comparison

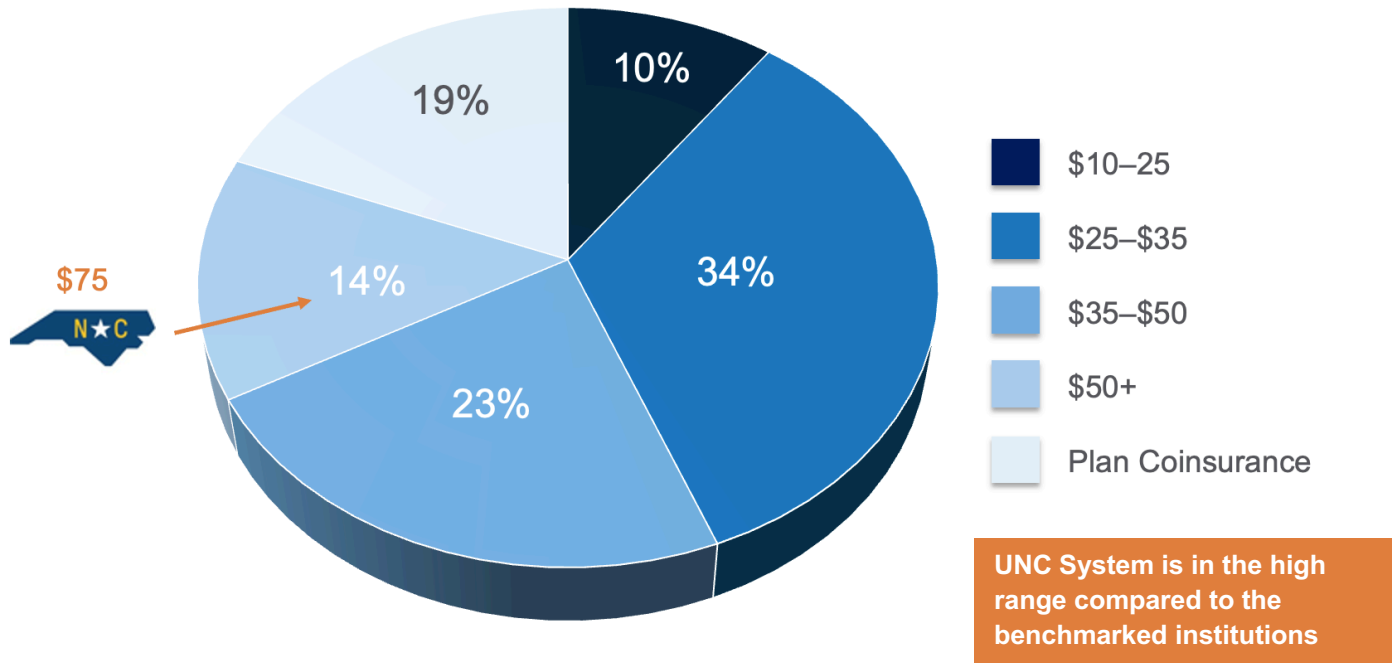


2022–2023 In-Network Office Visit Copay Comparison

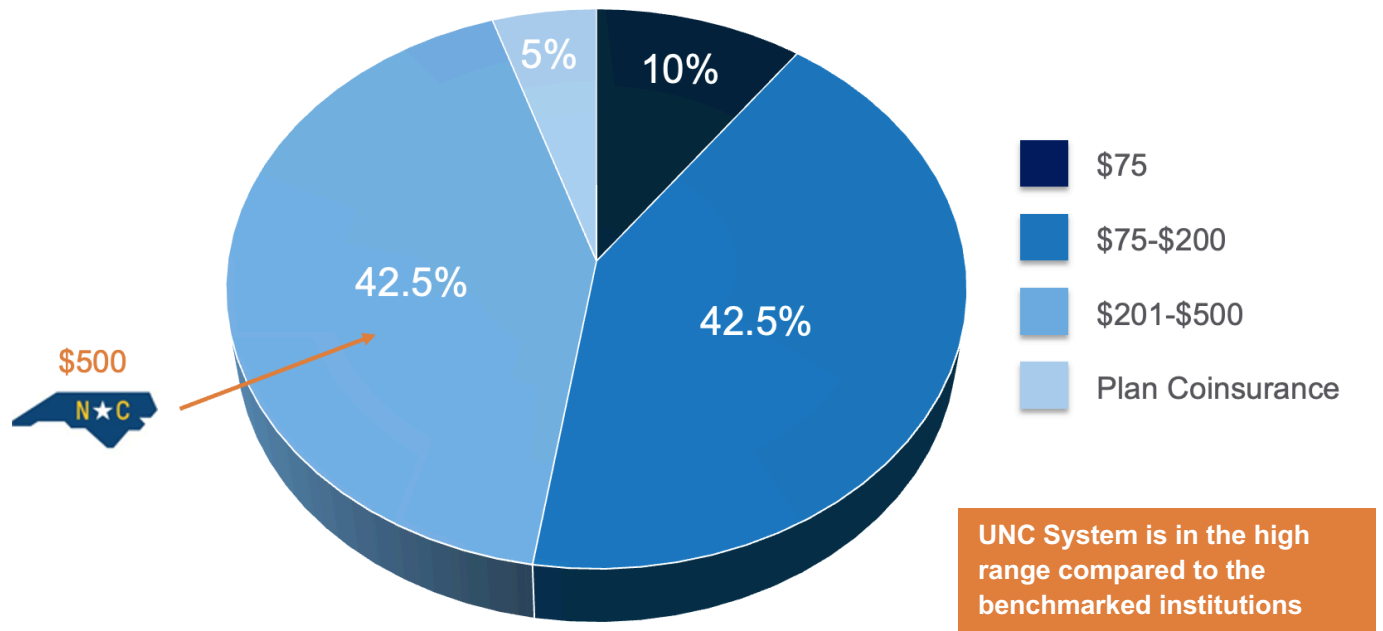


Benchmarking Study

2022–2023 In-Network Urgent Care Copay Comparison

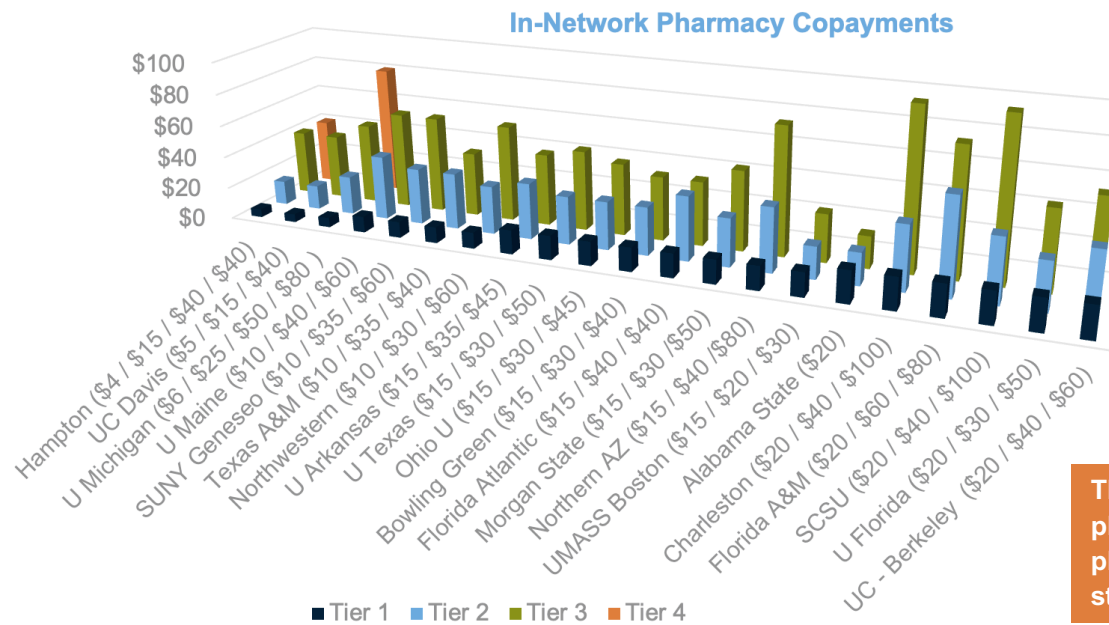


2022–2023 In-Network Emergency Room Copay Comparison



Benchmarking Study

2022–2023 Pharmacy Tier Comparison



UNC System

In-Network:

Tier 1 \$20,
Tier 2 \$35,
Tier 3 \$45,
Tier 4 \$90 Copay

Out-of-Network:

50% after
Tier 1 \$20,
Tier 2 \$35,
Tier 3 \$45,
Tier 4 \$90 Copay

The majority of the plans have a three-tier pharmacy copayment structure

Student Health Insurance

UNC System Student Health Insurance	
Maximum	Unlimited
Deductible	In: \$500 Out: \$1,000
Out-of-Pocket	In: \$4,000 Out: \$8,000
Coinsurance	In: 70 Out: 50%
Office Visit	In: \$35 Copay Out: \$8,000
Urgent Care	In: \$75 Copay Out: \$150 Copay
Emergency Room	In and Out: \$500 Copay
Prescription Drugs	In: Tier 1 \$20, Tier 2 \$35, Tier 3 \$45, Tier 4 \$90 Copay Out: 50% after Tier 1 \$20, Tier 2 \$35, Tier 3 \$45, Tier 4 \$90 Copay

The UNC System have one SHIP for all universities with the same premium and benefits. Deductible and Office Visit Copay waived at Student Health Centers

Benchmarking Study

Postdoctoral and RA/TA Insurance

UNC-Chapel Hill

Postdoctoral Health Insurance	
Maximum	Unlimited
Deductible	In: \$500 Out: \$1,000
Out-of-Pocket	In: \$2,100 Out: \$4,200
Coinsurance	In: 80% Out: 70%
Office Visit	In: 80% Out: 70%
Urgent Care	In: 80% Out: 70%
Emergency Room	In and Out: \$150 Copay then 20%
Prescription Drugs	In and Out: Tier 1 \$20, Tier 2 \$35, Tier 3 \$50, Tier 4 \$75 Copay, Tier 5 25% Coinsurance

RA/TA Health Insurance	
Maximum	Unlimited
Deductible	In: \$400 Out: \$800
Out-of-Pocket	In: \$2,000 Out: \$4,000
Coinsurance	In: 80% Out: 60%
Office Visit	In: 80% Out: 60%
Urgent Care	In: 80% Out: 60%
Emergency Room	In and Out: \$100 Copay then 20%
Prescription Drugs	In and Out: Tier 1 \$15, Tier 2 \$25, Tier 3 \$40, Tier 4 \$75 Copay, Tier 5 25% Coinsurance, Tier 6 75% Coinsurance

NC State University

Postdoctoral Health Insurance	
Maximum	Unlimited
Deductible	In: \$500 Out: \$1,000
Out-of-Pocket	In: \$2,100 Out: \$4,200
Coinsurance	In: 80% Out: 70%
Office Visit	In: 80% Out: 70%
Urgent Care	In: 80% Out: 70%
Emergency Room	In and Out: \$150 Copay then 20%
Prescription Drugs	In and Out: Tier 1 \$15, Tier 2 \$25, Tier 3 \$40, Tier 4 \$75 Copay, Tier 5 25% Coinsurance

RA/TA Health Insurance	
Maximum	Unlimited
Deductible	In: \$400 Out: \$800
Out-of-Pocket	In: \$5,500 Out: \$11,000
Coinsurance	In: 70% Out: 50%
Office Visit	In: \$35 Copay Out: 50%
Urgent Care	In: \$70 Copay Out: \$140 Copay
Emergency Room	In and Out: \$500 Copay
Prescription Drugs	In and Out: Tier 1 \$15, Tier 2 \$30, Tier 3 \$45, Tier 4 \$90 Copay, Tier 5 25% Coinsurance, Tier 6 75% Coinsurance

The above UNC System universities have separate insurance plans for Postdoctorals, RAs and TAs

Benchmarking Study

Postdoctoral Insurance

East Carolina University

Postdoctoral Health Insurance	
Maximum	Unlimited
Deductible	In: \$500 Out: \$1,000
Out-of-Pocket	In: \$2,100 Out: \$4,200
Coinsurance	In: 80% Out: 70%
Office Visit	In: 80% Out: 70%
Urgent Care	In: 80% Out: 70%
Emergency Room	In and Out: \$150 Copay then 20%
Prescription Drugs	In and Out: Tier 1 \$15, Tier 2 \$25, Tier 3 \$40, Tier 4 \$75 Copay, Tier 5 25% Coinsurance

NC Central University

Postdoctoral Health Insurance	
Maximum	Unlimited
Deductible	In: \$500 Out: \$1,000
Out-of-Pocket	In: \$2,100 Out: \$4,200
Coinsurance	In: 80% Out: 70%
Office Visit	In: 80% Out: 70%
Urgent Care	In: 80% Out: 70%
Emergency Room	In and Out: \$150 Copay then 20%
Prescription Drugs	In and Out: Tier 1 \$15, Tier 2 \$25, Tier 3 \$40, Tier 4 \$75 Copay, Tier 5 25% Coinsurance

UNC Wilmington

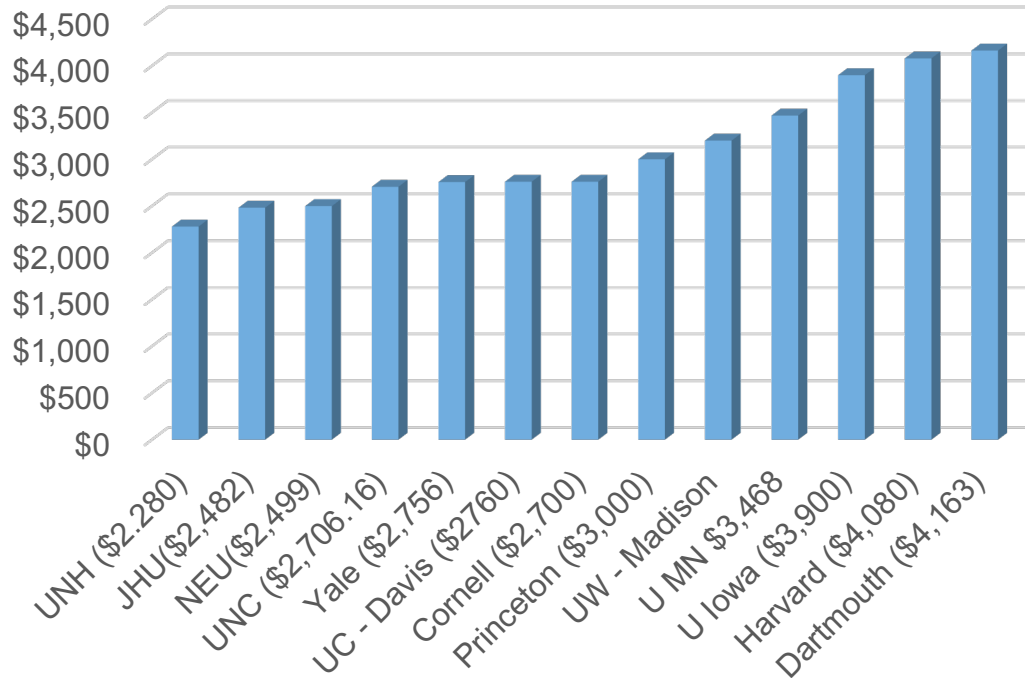
Postdoctoral Health Insurance	
Maximum	Unlimited
Deductible	In: \$500 Out: \$1,500
Out-of-Pocket	In: \$2,100 Out: \$4,200
Coinsurance	In: 80% Out: 70%
Office Visit	In: 80% Out: 70%
Urgent Care	In: 80% Out: 70%
Emergency Room	In and Out: \$150 Copay then 20%
Prescription Drugs	In and Out: Tier 1 \$15, Tier 2 \$25, Tier 3 \$40, Tier 4 \$75 Copay, Tier 5 25% Coinsurance

The above UNC System universities have separate insurance for postdoctoral

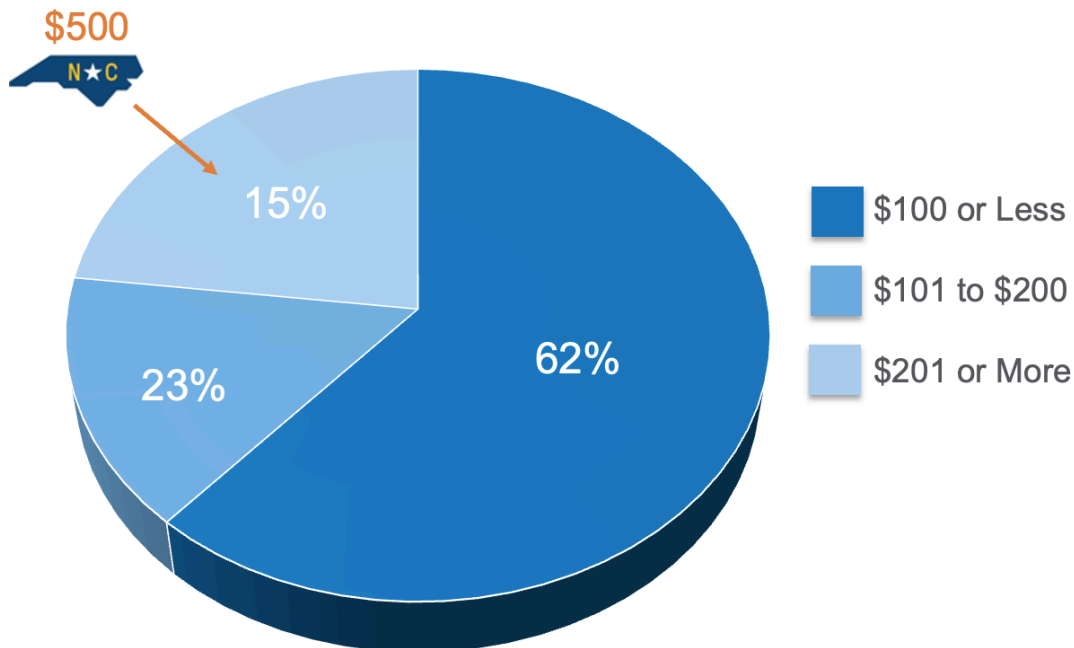
Benchmarking Study

2022–2023 Premium Comparison

University of North Carolina System

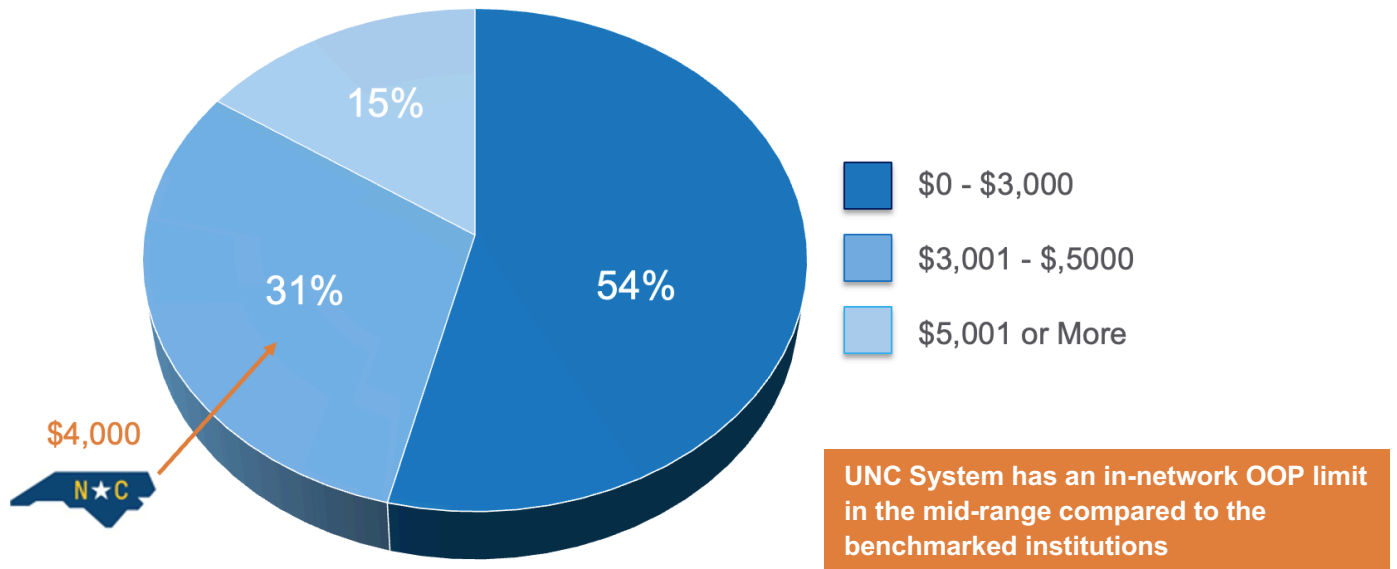


2022–2023 Individual In-Network Deductible Comparison

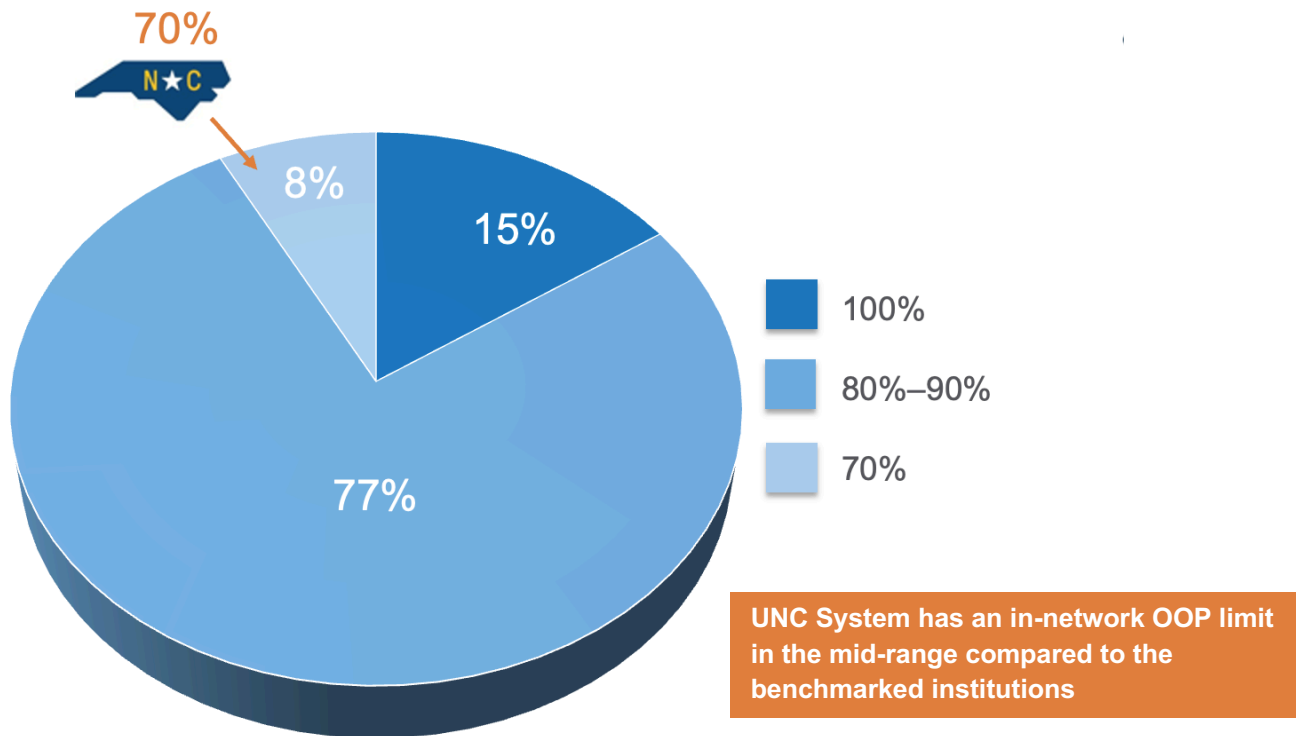


Benchmarking Study

2022–2023 Individual In-Network Out-of-Pocket Comparison

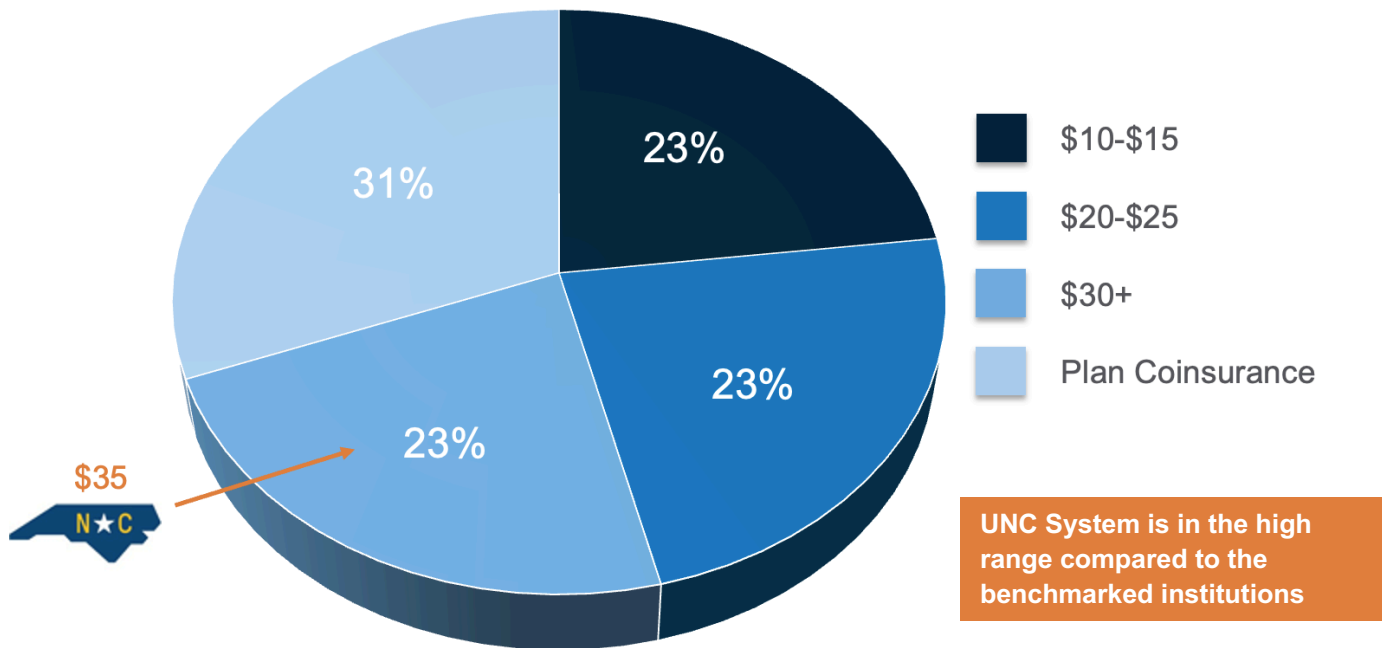


2022–2023 In-Network Coinsurance Comparison

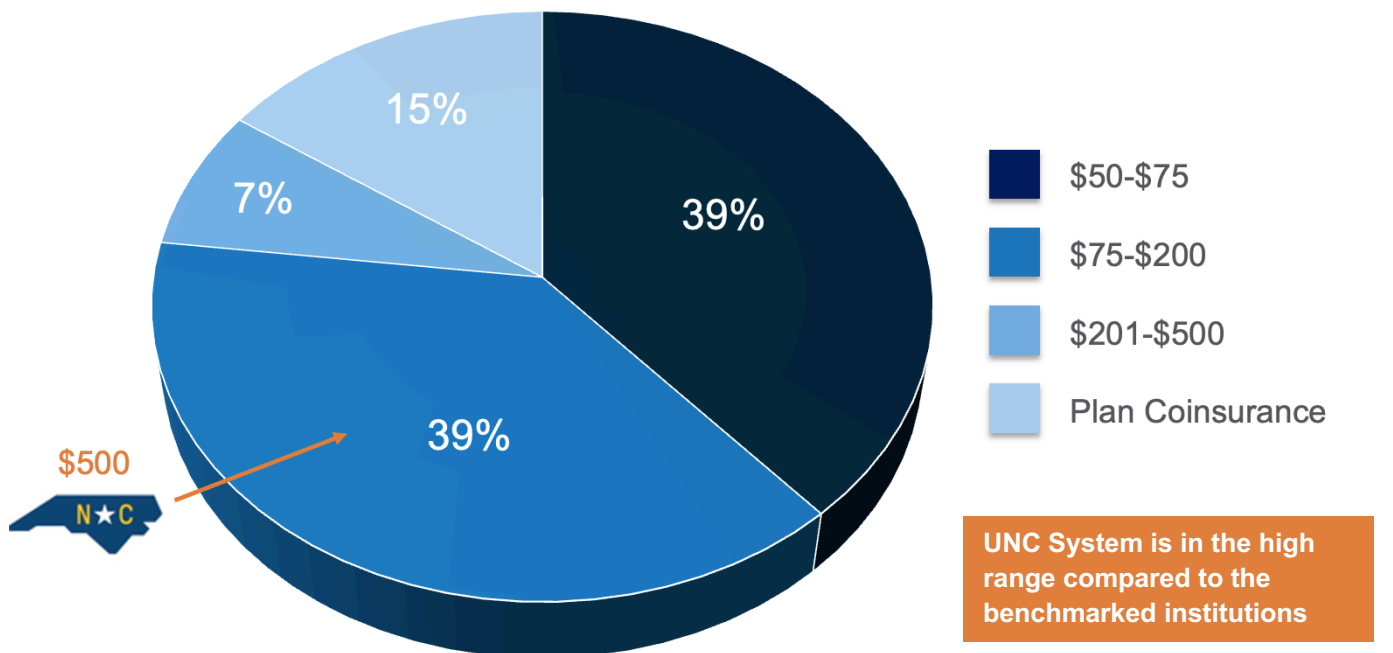


Benchmarking Study

2022–2023 In-Network Office Visit Copay Comparison



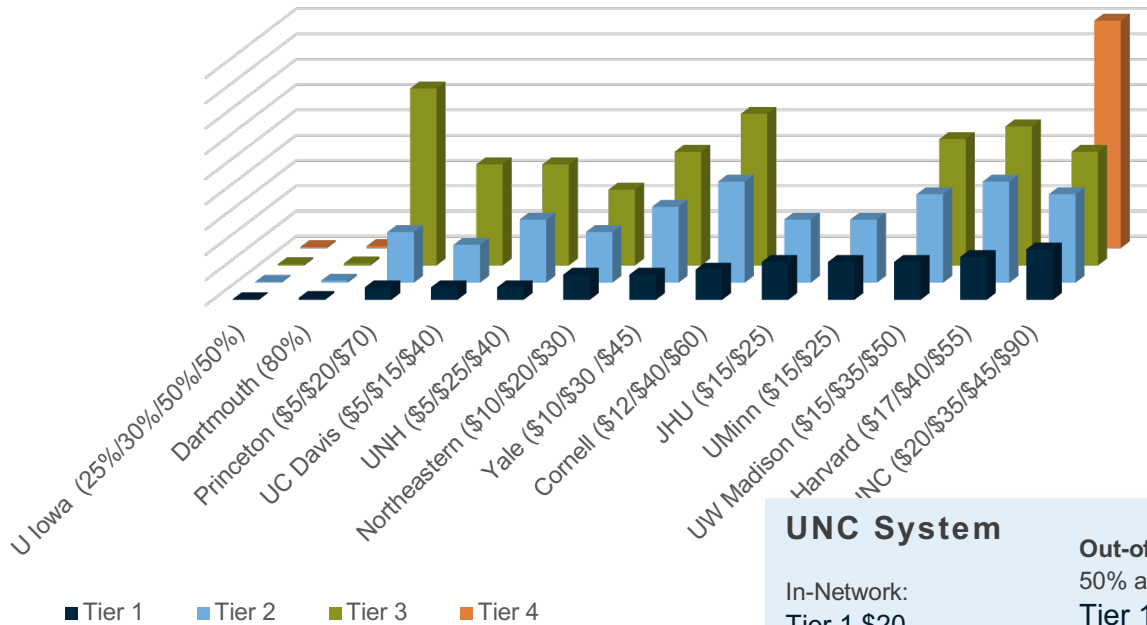
2022–2023 In-Network Emergency Room Copay Comparison



Benchmarking Study

2022–2023 Pharmacy Copay Tier Comparison

In-Network Pharmacy Copayments



UNC System

In-Network:

Tier 1 \$20,

Tier 2 \$35,

Tier 3 \$45,

Tier 4 \$90 Copay

Out-of-Network:

50% after

Tier 1 \$20,

Tier 2 \$35,

Tier 3 \$45,

Tier 4 \$90 Copay

The majority of the plans have a three-tier pharmacy copayment structure

University of North Carolina System

Student Health Insurance Plan

Analysis Scenarios

Benefit Plans

- Student Health Insurance (16 Schools – Community Rate)
- Postdoctoral (6 Schools)
- Research Assistant/Teaching Assistant (2 Schools – Independent Rates)

Medical/Prescription Drug Vendors

- The current medical vendor is BCBSNC.
- Multiple vendors have been vetted to obtain pricing for the feasibility study.
 - The cost savings estimates will vary depending on vendor selection.
- Projections assume prescription drug is carved in with the medical vendor.

Stop-Loss Reinsurance

- Quotes for stop-loss thresholds of \$550,000, \$750,000, and \$1,000,000 were requested.
- SHIP is proposed with a \$1,000,000 threshold and Postdoc and RA/TA are proposed with a \$550,000 threshold.
- All stop-loss options assume a 12/12 arrangement for year one. This would change to a 24/12 in year two and later. The first number in the stop-loss arrangement reflects the number of months of incurred claims and the second number reflects the number of months of paid claims. In the first year SHIP is only responsible for claims incurred and paid in the twelve months of the stop-loss policy.

Self Funded Financial Analysis

Rate Increases

Student Health Insurance Plan

Renewal	Claim Trend	Preliminary Rate Proposal	Final Rate
2019-2020	10.0%	2.2%	1.5%
2020-2021	5.2%	-0.4%	-0.4%
2021-2022	7.0%	2.0%	0.0%
2022-2023	5.6%	7.0%	3.4%
2023-2024	7.0%	6.3%	3.0%
5-Year Average	6.9%	3.4%	1.5%

- **Inconsistent Claim Trend:** Claim trend is a critical factor in the rate renewal process for health insurance plans, including Student Health Insurance Plans (SHIPs). It reflects the historical rate of change in claims costs over time. The inconsistency in claim trend from year to year indicates that the patterns of healthcare utilization and costs among students have varied. This variation can be influenced by factors such as changes in the student population's health needs, shifts in medical treatments and fluctuations in healthcare costs.

Managing rate renewals for SHIPs requires a thorough analysis of these inconsistent claim trends to project future claims accurately. Insurance providers must adapt to these fluctuations and make informed rate adjustments.

- **Preliminary Rate Proposal:** This rate Increase represents the initial rate proposal presented by Blue Cross Blue Shield of North Carolina (BCBSNC) during the rate renewal process. This proposal serves as the starting point for rate negotiations between BCBSNC and the entity responsible for the SHIP.

BCBSNC's Proposed Rate Increase proposal is typically based on its assessment of various cost factors, including claim trends, medical inflation, administrative expenses, and the desired profit margin. It sets the stage for discussions and adjustments in pursuit of a mutually acceptable rate increase.

- **Final Rate:** The Final Rate Increase reflects the rate proposal that has been accepted and agreed upon by the entity responsible for the SHIP (e.g., the university or consortium). Rate negotiations often involve a negotiation process where both BCBSNC and the SHIP's administrators may make concessions and adjustments to the initial proposal. The final rate increase is the result of these negotiations and represents the rate that will be implemented for the upcoming plan year. It aims to strike a balance between ensuring the financial sustainability of the SHIP and making coverage affordable for students.
- **Frequent Rate Concessions:** Frequent rate concessions indicate that BCBSNC and the SHIP's administrators engage in regular negotiations to arrive at mutually agreeable rate terms. These concessions may involve BCBSNC adjusting its initial rate increase proposal based on feedback and financial considerations from the SHIP administrators.

Self Funded Financial Analysis

- Rate concessions are a testament to the collaborative efforts between the insurance carrier and the universities to find solutions that maintain the SHIP's sustainability while keeping healthcare coverage accessible and affordable for students.

In summary, these points highlight the dynamic and iterative nature of rate renewal negotiations for Student Health Insurance Plans. Managing inconsistent claim trends, navigating preliminary and final rate increases, and frequent rate concessions are all integral aspects of the process aimed at ensuring that students have affordable healthcare coverage.

Postdoctoral

Renewal	Claim Trend	Preliminary Rate Proposal	Final /Negotiated Rate
2023-2024	5.9%	14.8%	13.0%

Research Assistant/Teaching Assistant – NC State

Renewal	Claim Trend	Preliminary Rate Proposal	Final /Negotiated Rate
2023-2024	6.9%	9.9%	8.0%

Research Assistant/Teaching Assistant – UNC-Chapel Hill

Renewal	Claim Trend	Preliminary Rate Proposal	Final /Negotiated Rate
2023-2024	6.8%	9.3%	7.5%

- Claim trend is used in rate renewal calculations to project future claims and has been inconsistent from year to year.
- The “Preliminary” rate increase was initial proposal presented by BCBSNC.
- The “Final” rate increase was the accepted rate increase by SHIP.
- **Rate concessions have been frequent.**

Self Funded Financial Analysis

Claims Loss Ratios

Student Health Insurance Plan

Renewal	Claims	Premium	Loss Ratio
2018-2019	\$57,393,593	\$80,563,898	71.2%
2019-2020	\$56,961,704	\$79,090,732	72.0%
2020-2021	\$57,861,609	\$68,700,292	84.2%
2021-2022	\$61,251,853	\$69,442,976	88.2%
2022-2023 *	\$34,027,889	\$41,710,504	81.6%

* Partial year: August 2022 to February 2023

Loss Ratio Trends and Impact

Over the past few years, there has been a noticeable and concerning increase in the loss ratio within the Student Health Insurance Plan (SHIP).

- **This loss ratio**, which measures the proportion of premiums spent on claims and related expenses, is a critical indicator of the financial health of the SHIP. A rising loss ratio suggests that a larger share of premium revenue is being utilized to cover healthcare claims and administrative costs.
- **One significant factor impacting the loss ratio was the outbreak of the COVID-19 pandemic**, which primarily affected the 2019-2020 period. During this period, the healthcare system experienced unprecedented challenges and increased healthcare utilization related to COVID-19 testing, treatment, and related medical expenses. This surge in healthcare costs had a notable impact on the loss ratio.

To provide a more detailed perspective, let's compare two specific timeframes:

- From August 2021 to February 2022, the loss ratio stood at 74.6%. This period reflects the ongoing effects of the pandemic and the associated healthcare expenses.
- **In contrast, during the partial year from August 2022 to February 2023, the loss ratio increased further to 81.6%.** This rise indicates that the loss ratio continued to climb, potentially due to factors beyond the immediate impacts of COVID-19.
- Over the past three years, there has been an average annual claim trend of 8.5%.

The claim trend represents the annual percentage increase in healthcare claims costs. An average annual claim trend of 8.5% suggests that healthcare costs have been rising steadily over this period. In summary, the loss ratio's dramatic increase, influenced by the COVID-19 pandemic and persistent trends, underscores the challenges faced by the SHIP in managing healthcare costs while maintaining financial sustainability. These trends emphasize the importance of ongoing evaluation and strategic planning to ensure that the SHIP can continue to provide adequate coverage to students while managing costs effectively.

University of North Carolina System Student Health Insurance Plan

Student Health Insurance plan

Fully Insured Renewal and Cost Comparison to Self-Funding

- The projected fully insured rate for BCBSNC does not include the actuarial fee of \$0.47 or the Student Fee of \$1.67 so the BCBSNC fully insured rate is projected to be \$256.81 vs a current rate of \$230.40. This is an increase of 11.5%.
- The lower claims expenses in Scenario B Average Cost Approach are a direct result of a 10.0% Rx Rebate, a significant advantage associated with the self-funded approach. To arrive at this estimation, Gallagher's National Pharmacy Practice conducted a comprehensive assessment of SHIP claims, comparing them to similar groups and industry benchmarks.

2023-2024 Rate Projection

- In the fully insured projection for the current year, BCBSNC applied an "Account Specific Risk Adjustment" of (\$6.7M). This reduced the required increase from 15.3% to 6.3%. The specific data to support this adjustment to current rates have not been provided from BCBSNC.

Administrative Expenses

- The fully insured projection reflects the BCBSNC rate renewal projection as well as known expenses not included in the BCBSNC rates.
- The self-funded projections include our best estimate of all fees required to run a consortium.
- BCBSNC strategically employed a \$550,000 pooling level, essentially functioning as a Specific Stop-Loss when opting for self-funding. We recommend elevating this threshold to \$1,000,000, primarily in response to the growth in enrollment, to better safeguard against potential financial security.

Cost Savings

- The removal off the State healthcare fee results in a savings of approximately \$1.5M.
- If the stop-loss was moved to a separate vendor a savings of approximately \$0.2M.
- Option B reflects the average ASO fees and Stop-Loss fees provided by multiple vendors.
- Some vendors have proposed medical claims discounts exceeding what is currently achieved by 5% to 7%. No assumed savings for medical discounts has been assumed in the projections.
- Based on the current data received from BCBSNC, Gallagher's actuary forecasts an 11.5% renewal rate increase for 2024-2025 on a fully insured with BCBSNC.

Self Funded Financial Analysis

- It's essential to consider that when BCBSNC performs the final renewal calculations, they will utilize the most recent claims data. Additionally, various factors will impact the renewal rates:
 - Renewal rates may fluctuate depending on the current claims utilization, which can impact the final renewal figures.
 - BCBSNC has the flexibility to apply discretionary business factors that can either increase or decrease the renewal rates.
- **Scenario A**, referred to as the “Baseline Cost Approach,” involves retaining the current carrier and implementing self-funding for the SHIP program.
- **Scenario B**, referred to as the “Mid-Case Cost Approach” represents a conservative strategy for transitioning to self-funding within the SHIP program. The approach focuses on achieving average mid-level savings, emphasizing a conservative financial outlook.
 - To evaluate the feasibility of self-funding in the UNC System, GSH conducted a comprehensive market analysis to assess potential carriers offering self-funding services.
 - This approach encompasses various carriers, ranging from Third-Party Administrators (TPAs) to Stop Loss providers, ensuring a well-rounded assessment of potential avenues for self-funding.
 - A conservative pharmacy discount of 10% has been factored into the calculations. Gallagher's National Pharmacy Practice reviewed the SHIP claims and compared to similar groups to develop the RX savings.
- Self-funding presents the opportunity to achieve greater savings through a competitive procurement process, a key advantage of self-funding for increasing cost efficiencies.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

SHIP – Fully Insured

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$43,481,935	\$44,587,859	\$17,625,263	\$16,278,022	\$61,107,198	\$60,865,882
Pooling Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$565,265)	(\$289,821)	(\$229,128)	(\$105,807)	(\$794,394)	(\$395,628)
Demographic Adjustment	(\$434,819)	(\$445,879)	(\$176,253)	(\$162,780)	(\$611,072)	(\$608,659)
Total Net Paid Claims	\$42,481,851	\$43,852,160	\$17,219,882	\$16,009,435	\$59,701,733	\$59,861,595
Experience Period Lives	319,245	312,461	319,245	312,461		
PSPM Claim Cost	\$133.07	\$140.34	\$53.94	\$51.24	\$187.01	\$191.58
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	6.9%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2093	1.1302
Trended PSPM Claim Cost	\$159.06	\$157.52	\$67.08	\$59.00	\$226.15	\$216.52
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Projected Lives	23,699		23,699		23,699	
Months to Project	12		12		12	
Projected Claim Cost	\$44,928,493		\$17,468,565		\$62,397,058	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$44,928,493		\$17,468,565		\$62,397,058	
Administration Fee	\$8,201,750					
Pooling Charge	\$663,406					
Agent Fee	\$225,548					
PCORI	\$79,629					

Self Funded Financial Analysis

Total Projected Fixed Fees	\$9,170,333
State Healthcare Fee	\$1,467,132
Total Projected Costs - PY'25	\$73,034,523
Current Equivalent Premium-PY'24	\$65,522,995
Estimated Renewal Adjustment	11.5%
Fees Outside of BCBSNC	
Legal, Accounting, Audit	\$0
Actuarial Fee	\$133,299
Student Fee	\$473,980
Adjusted Total Costs - PY'25	\$73,641,801

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

SHIP – Self Funded – Scenario A

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$43,481,935	\$44,587,859	\$17,625,263	\$16,278,022	\$61,107,198	\$60,865,882
Total Claims Exceeding Stop-Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$565,265)	(\$289,821)	(\$229,128)	(\$105,807)	(\$794,394)	(\$395,628)
Demographic Adjustment	(\$434,819)	(\$445,879)	(\$176,253)	(\$162,780)	(\$611,072)	(\$608,659)
Total Net Paid Claims	\$42,481,851	\$43,852,160	\$17,219,882	\$16,009,435	\$59,701,733	\$59,861,595
Experience Period Lives	319,245	312,461	319,245	312,461		
PSPM Claim Cost	\$133.07	\$140.34	\$53.94	\$51.24	\$187.01	\$191.58
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	6.9%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2093	1.1302
Trended PSPM Claim Cost	\$159.06	\$157.52	\$67.08	\$59.00	\$226.15	\$216.52
Large Claim Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PSPM Adjusted Claims	\$159.06	\$157.52	\$67.08	\$59.00	\$226.15	\$216.52
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Projected Lives	23,699		23,699		23,699	
Months to Project	12		12		12	
Projected Claim Cost	\$44,928,493		\$17,468,565		\$62,397,058	
Network Changes	\$0		\$0		\$0	

Self Funded Financial Analysis

Rx Rebate	\$0	\$0	\$0
Revised Projected Claim Cost	\$44,928,493	\$17,468,565	\$62,397,058
Administration Fee	\$8,247,252		
Stop-Loss - Specific	\$753,628		
Consultant Fees	\$710,970		
Legal, Accounting, Audit	\$568,776		
PCORI	\$79,629		
Total Projected Fixed Fees	\$10,360,255		
State Healthcare Fee	\$0		
Total Projected Costs - PY'25	\$72,757,313		
Current Equivalent Premium-PY'24	\$65,522,995		
Estimated Renewal Adjustment	11.0%		

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

SHIP – Self Funded – Scenario B

Projection Period - 8/1/2024 through 7/31/2025

Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$43,481,935	\$44,587,859	\$17,625,263	\$16,278,022	\$61,107,198	\$60,865,882
Total Claims Exceeding Stop-Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$565,265)	(\$289,821)	(\$229,128)	(\$105,807)	(\$794,394)	(\$395,628)
Demographic Adjustment	(\$434,819)	(\$445,879)	(\$176,253)	(\$162,780)	(\$611,072)	(\$608,659)
Total Net Paid Claims	\$42,481,851	\$43,852,160	\$17,219,882	\$16,009,435	\$59,701,733	\$59,861,595
Experience Period Lives	319,245	312,461	319,245	312,461		
PSPM Claim Cost	\$133.07	\$140.34	\$53.94	\$51.24	\$187.01	\$191.58
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	6.9%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2093	1.1302
Trended PSPM Claim Cost	\$159.06	\$157.52	\$67.08	\$59.00	\$226.15	\$216.52
Large Claim Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PSPM Adjusted Claims	\$159.06	\$157.52	\$67.08	\$59.00	\$226.15	\$216.52
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Projected Lives	23,699		23,699		23,699	
Months to Project	12		12		12	
Projected Claim Cost	\$44,928,493		\$17,468,565		\$62,397,058	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		(\$1,746,857)		(\$1,746,857)	
Revised Projected Claim Cost	\$44,928,493		\$15,721,709		\$60,650,202	
Administration Fee	\$5,245,537					
Stop-Loss - Specific	\$541,759					
Consultant Fees	\$710,970					

Self Funded Financial Analysis

Legal, Accounting, Audit	\$568,776
PCORI	\$79,629
Total Projected Fixed Fees	\$7,146,670
State Healthcare Fee	\$0
Total Projected Costs - PY'25	\$67,796,872
Current Equivalent Premium-PY'24	\$65,522,995
Estimated Renewal Adjustment	3.5%

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Student Health Insurance Plan

	Fully Insured BCBSNC 8/1/24-7/31/25	Self-Funded Option A 8/1/24-7/31/25	Self-Funded Option B 8/1/24-7/31/25
PSPM			
Claims	\$219.41	\$219.41	\$213.27
Administration Fee	\$28.84	\$29.00	\$18.45
Pooling Charge/Stop-Loss Fee	\$2.33	\$2.65	\$1.91
Agent Fee/Consultant Fee	\$0.79	\$2.50	\$2.50
Legal, Accounting, Audit	\$0.00	\$2.00	\$2.00
Actuarial Fee	\$0.47	\$0.00	\$0.00
Student Fee	\$1.67	\$0.00	\$0.00
PCORI	\$0.28	\$0.28	\$0.28
State Healthcare Fee	\$5.16	\$0.00	\$0.00
Subtotal Retention and Fees	\$39.54	\$36.43	\$25.13
Total Expense	\$258.95	\$255.84	\$238.40
Annual Expense			
Claims	\$62,397,058	\$62,397,058	\$60,650,202
Administration Fee	\$8,201,750	\$8,247,252	\$5,245,537
Pooling Charge/Stop-Loss Fee	\$663,406	\$753,628	\$541,759
Agent Fee/Consultant Fee	\$225,548	\$710,970	\$710,970
Legal, Accounting, Audit	\$0	\$568,776	\$568,776
Actuarial Fee	\$133,299	\$0	\$0
Student Fee	\$473,980	\$0	\$0
PCORI	\$79,629	\$79,629	\$79,629
State Healthcare Fee	\$1,467,132	\$0	\$0
Subtotal Retention and Fees	\$11,244,743	\$10,360,255	\$7,146,670
Total Expense	\$73,641,801	\$72,757,313	\$67,796,872
Self-Funded Savings		\$884,488	\$5,844,929

*Savings are subject to claims volatility and assumed fees and are not guaranteed.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario A

Year 1	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$1,929,109	\$3,845,219	\$4,643,381	\$5,043,762	\$5,662,533	\$5,147,757	\$5,173,756	\$5,691,132	\$5,459,743	\$5,719,730	\$5,459,743	\$5,719,730	\$59,495,595
Administrati on Fee	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$8,247,252
Stop Loss Fee	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$753,628
Consultant Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$710,970
Legal, Accounting, Audit	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$568,776
PCORI	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$79,629
Total Expense	\$2,792,464	\$4,708,573	\$5,506,736	\$5,907,117	\$6,525,888	\$6,011,112	\$6,037,111	\$6,554,486	\$6,323,097	\$6,583,085	\$6,323,097	\$6,583,085	\$69,855,850
Premium Received	\$0	\$0	\$0	\$26,882,359	\$11,521,011	\$0	\$0	\$24,047,760	\$10,306,183	\$0	\$0	\$0	\$72,757,313
Monthly Surplus	(\$2,792,464)	(\$4,708,573)	(\$5,506,736)	\$20,975,243	\$4,995,124	(\$6,011,112)	(\$6,037,111)	\$17,493,273	\$3,983,086	(\$6,583,085)	(\$6,323,097)	(\$6,583,085)	\$2,901,463
Prior Year Surplus	\$0												
Cumulative Surplus	(\$2,792,464)	(\$7,501,037)	(\$13,007,773)	\$7,967,470	\$12,962,594	\$6,951,482	\$914,371	\$18,407,645	\$22,390,730	\$15,807,645	\$9,484,548	\$2,901,463	
Initial Capitalizati on	\$17,500,000												
Adjusted Cumulative Surplus	\$14,707,536	\$9,998,963	\$4,492,227	\$25,467,470	\$30,462,594	\$24,451,482	\$18,414,371	\$35,907,645	\$39,890,730	\$33,307,645	\$26,984,548	\$20,401,463	
Surplus													\$14,598,537
Reserve													\$2,901,463
Reserve Cushion													\$2,901,463

Self Funded Financial Analysis

Year 2	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	FY'26
Claims Paid	\$3,858,218	\$4,684,979	\$5,236,153	\$5,511,740	\$6,062,914	\$5,511,740	\$5,511,740	\$6,062,914	\$5,787,327	\$6,062,914	\$5,787,327	\$6,062,914	\$66,140,882
Administrati on Fee	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$8,494,670
Stop Loss Fee	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$828,991
Consultant Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$732,299
Legal, Accounting, Audit	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$585,839
PCORI	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$82,017</u>
Total Expense	\$4,721,573	\$5,548,334	\$6,099,508	\$6,375,095	\$6,926,269	\$6,375,095	\$6,375,095	\$6,926,269	\$6,650,682	\$6,926,269	\$6,650,682	\$6,926,269	\$76,864,698
Premium Received	\$0	\$0	\$0	\$28,399,955	\$12,171,409	\$0	\$0	\$25,405,333	\$10,888,000	\$0	\$0	\$0	\$76,864,698
Monthly Surplus	(\$4,721,573)	(\$5,548,334)	(\$6,099,508)	\$22,024,861	\$5,245,141	(\$6,375,095)	(\$6,375,095)	\$18,479,065	\$4,237,318	(\$6,926,269)	(\$6,650,682)	(\$6,926,269)	
Prior Year Surplus	\$20,401,463												
Cumulative Surplus	\$15,679,891	\$10,131,557	\$4,032,049	\$26,056,910	\$31,302,051	\$24,926,956	\$18,551,861	\$37,030,926	\$41,268,244	\$34,341,975	\$27,691,294	\$20,765,025	
Additional Funding	\$0												
Adjusted Cumulative Surplus	\$15,679,891	\$10,131,557	\$4,032,049	\$26,056,910	\$31,302,051	\$24,926,956	\$18,551,861	\$37,030,926	\$41,268,244	\$34,341,975	\$27,691,294	\$20,765,025	
Surplus													\$14,613,923
Reserve													\$3,075,551
Reserve Cushion													\$3,075,551

Initial Capitalization/Year End Reserve

- No premium is assumed to be collected before November.
- The initial capitalization would be \$17.5M.
- At the end of the year, the surplus generated would be \$20.4M.
- The year end surplus is allocated as \$14.6M in true surplus and \$5.8M in reserve to pay for claims incurred but not yet reported.

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be \$5M.

Self Funded Financial Analysis

- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$8M, which reflects a 0.5% to 1.0% reduction in claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario B

Year 1	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$1,875,102	\$3,737,569	\$4,513,386	\$4,902,558	\$5,504,006	\$5,003,642	\$5,028,913	\$5,531,804	\$5,306,893	\$5,559,602	\$5,306,893	\$5,559,602	\$57,829,968
Administratio n Fee	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$5,245,537
Stop Loss Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$710,970
Consultant Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$710,970
Legal, Accounting, Audit	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$568,776
PCORI	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$79,629
Total Expense	\$2,484,759	\$4,347,226	\$5,123,043	\$5,512,215	\$6,113,663	\$5,613,298	\$5,638,569	\$6,141,461	\$5,916,549	\$6,169,259	\$5,916,549	\$6,169,259	\$65,145,849
Premium Received	\$0	\$0	\$0	\$25,112,097	\$10,762,327	\$0	\$0	\$22,464,162	\$9,627,498	\$0	\$0	\$0	\$67,966,084
Monthly Surplus	(\$2,484,759)	(\$4,347,226)	(\$5,123,043)	\$19,599,882	\$4,648,665	(\$5,613,298)	(\$5,638,569)	\$16,322,701	\$3,710,948	(\$6,169,259)	(\$5,916,549)	(\$6,169,259)	\$2,820,234
Prior Year Surplus	\$0												
Cumulative Surplus	(\$2,484,759)	(\$6,831,984)	(\$11,955,027)	\$7,644,855	\$12,293,520	\$6,680,221	\$1,041,652	\$17,364,353	\$21,075,301	\$14,906,043	\$8,989,493	\$2,820,234	
Initial Capitalizatio n	\$16,750,000												
Adjusted Cumulative Surplus	\$14,265,241	\$9,918,016	\$4,794,973	\$24,394,855	\$29,043,520	\$23,430,221	\$17,791,652	\$34,114,353	\$37,825,301	\$31,656,043	\$25,739,493	\$19,570,234	
Surplus													\$13,929,766
Reserve													\$2,820,234
Reserve Cushion													\$2,820,234

Self Funded Financial Analysis

Year 2	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	FY'26
Claims Paid	\$3,750,204	\$4,553,819	\$5,089,563	\$5,357,435	\$5,893,178	\$5,357,435	\$5,357,435	\$5,893,178	\$5,625,306	\$5,893,178	\$5,625,306	\$5,893,178	\$64,289,214
Administratio n Fee	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$5,402,903
Stop Loss Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$782,067
Consultant Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$732,299
Legal, Accounting, Audit	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$585,839
PCORI	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$82,017</u>
Total Expense	\$4,359,861	\$5,163,476	\$5,699,220	\$5,967,091	\$6,502,835	\$5,967,091	\$5,967,091	\$6,502,835	\$6,234,963	\$6,502,835	\$6,234,963	\$6,502,835	\$71,874,340
Premium Received	\$0	\$0	\$0	\$26,556,119	\$11,381,194	\$0	\$0	\$23,755,919	\$10,181,108	\$0	\$0	\$0	\$71,874,340
Monthly Surplus	(\$4,359,861))	(\$5,163,476))	(\$5,699,220))	\$20,589,027	\$4,878,359	(\$5,967,091))	(\$5,967,091))	\$17,253,085	\$3,946,145	(\$6,502,835))	(\$6,234,963))	(\$6,502,835))	
Prior Year Surplus	\$19,570,234												
Cumulative Surplus	\$15,210,373	\$10,046,897	\$4,347,678	\$24,936,705	\$29,815,064	\$23,847,973	\$17,880,881	\$35,133,966	\$39,080,111	\$32,577,277	\$26,342,314	\$19,839,479	
Additional Funding	\$0												
Adjusted Cumulative Surplus	\$15,210,373	\$10,046,897	\$4,347,678	\$24,936,705	\$29,815,064	\$23,847,973	\$17,880,881	\$35,133,966	\$39,080,111	\$32,577,277	\$26,342,314	\$19,839,479	
Surplus													\$13,860,582
Reserve													\$2,989,448
Reserve Cushion													\$2,989,448

Initial Capitalization/Year End Reserve

- No premium is assumed to be collected before November.
- The initial capitalization would be \$16.75M.
- At the end of the year, the surplus generated would be \$19.6M.
- The year end surplus is allocated as \$13.9M in true surplus and \$5.7M in reserve to pay for claims incurred but not yet

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, are projected to be \$30.0M.

Self Funded Financial Analysis

- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$35.0M, which reflects a 0.5% to 1.0% reduction in claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

Additional Savings Opportunities

International Student Waivers

- If 40% of the international students were enrolled in the SHIP plan, the average cost per student will decrease by \$22.00 per year

Benefit Plan Changes

- The out-of-pocket maximum could be increased to \$5000/\$10,000 from the current \$4000/\$8000. This change would save 0.5% of claims or approximately \$300,000.
- The out-of-pocket maximum could be increased to \$6000/\$12,000 from the current \$4000/\$8000. This change would save 0.8% of claims or approximately \$500,000.

Prescription Drugs

- A change from fully insured to self funded could save between 10.0% and 12.0% in drug claims. The majority of the savings are due to the receipt of Rx Rebates. A savings of 10.0% is included in Scenario B as most vendors have offered to send 100% of Rx Rebates to SHIP.

Best and Final Offer (BAFO)

- It is Gallagher's opinion that the incumbent vendor in a fully insured to self-funded feasibility will not put their best offer on the table initially. As a result, Scenario A could look more similar to Scenario B when negotiations truly take place.

First Year Savings

- The first-year savings are assumed to continue each year but can increase or decrease each year based on changes to the SHIP population, re-negotiations, and a multitude of other variables.
- Assuming everything stays the same for five years, the five-year savings for Scenario A, Baseline Cost Approach, would be approximately \$5M taking claim trend into consideration.
- Assuming everything stays the same for five years, the five-year savings for Scenario B, Mid-case Cost Approach, would be approximately \$33M taking claim trend into consideration.

Impact of Self-Funding

- Savings in the first year will escalate each year when changing from a fully insured to a self-funded arrangement due to the fully insured vendor retaining savings in better-than-expected

Self Funded Financial Analysis

years and passing losses on to SHIP in worse than average years. Fully insured rates typically incorporate more conservative estimates, which can result in higher premiums.

- The estimates savings for Scenario A and Scenario B could be as much as 50% more due to switching to a self-funded arrangement.

Business Decisions

- The renewal increase in the fully insured model is determined by Gallagher's actuaries, who assess what they consider appropriate based on the provided data, as well as the pricing methodologies and assumptions applied.
- Predicting a vendor's actions to retain their business in any given year can be challenging and uncertain.

University of North Carolina System

Student Health Insurance Plan

Post Doctorate Plan

Administrative Expenses

- The fully insured projection reflects the BCBSNC rate renewal projection as well as known expenses not included in the BCBSNC rates.
- The self-funded projections encompass our most accurate estimate of all the fees necessary to effectively operate a consortium.

Stop-Loss

- BCBSMC used a pooling level of \$175,000 in their fully insured calculation. Pooling Level is equivalent to Specific Stop Loss. GSH is recommending that Specific Stop Loss level to increase from \$175,000 to \$550,0

Cost Savings

- The removal off the State healthcare fee results in a savings of approximately \$147,000.
- Option B reflects the average ASO fees and stop-loss fees provided by multiple vendors.
- Some vendors have proposed medical claims discounts exceeding what is currently achieved by additional average savings of 5% to 7% of claims. The projections do not incorporate any assumed savings related to medical discounts.
- **Scenario A**, referred to as the “Baseline Cost Approach,” involves retaining the current carrier and implementing self-funding for the SHIP program.
- **Scenario B**, referred to as the “Mid-Case Cost Approach” represents a conservative strategy for transitioning to self-funding within the SHIP program. The approach focuses on achieving average mid-level savings, emphasizing a conservative financial outlook.
 - To evaluate the feasibility of self-funding in the UNC System, GSH conducted a comprehensive market analysis to assess potential carriers offering self-funding services.
 - This approach encompasses various carriers, ranging from Third-Party Administrators (TPAs) to Stop Loss providers, ensuring a well-rounded assessment of potential avenues for self-funding.
 - A conservative pharmacy discount of 10% has been factored into the calculations. Gallagher’s National Pharmacy Practice reviewed the SHIP claims and compared to similar groups to develop the RX savings.
- Self-funding presents the opportunity to achieve greater savings through a competitive procurement process, a key advantage of self-funding for increasing cost efficiencies.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Post Doctorate Plan

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$4,942,614	\$4,161,715	\$1,988,943	\$1,789,569	\$6,931,557	\$5,951,284
Total Claims Exceeding Stop-Loss	(\$920,479)	(\$653,308)	\$0	\$0	(\$920,479)	(\$653,308)
Benefit Plan Adjustment	(\$64,254)	(\$54,102)	(\$25,856)	(\$23,264)	(\$90,110)	(\$77,367)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$3,957,881	\$3,454,305	\$1,963,087	\$1,766,305	\$5,920,968	\$5,220,609
Experience Period Lives	15,196	15,110	15,196	15,110		
PSPM Claim Cost	\$260.46	\$228.61	\$129.18	\$116.90	\$389.64	\$345.51
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	33.0	21.0	33.0	21.0	33.0	21.0
Trend Factor	1.1891	1.1165	1.2357	1.1442	1.2045	1.1259
Trended PSPM Claim Cost	\$309.70	\$255.25	\$159.63	\$133.75	\$469.34	\$389.00
Large Claim Adjustment	\$34.55	\$23.16	\$0.00	\$0.00	\$34.55	\$23.16
PSPM Adjusted Claims	\$344.25	\$278.41	\$159.63	\$133.75	\$503.89	\$412.16
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost – PSPM	\$298.16		\$141.51		\$439.68	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost – PSPM	\$298.16		\$141.51		\$439.68	
Projected Lives	1,280		1,280		1,280	
Months to Project	12		12		12	
Projected Claim Cost	\$4,579,762		\$2,173,670		\$6,753,432	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$4,579,762		\$2,173,670		\$6,753,432	
Administration Fee			\$442,982			
Stop-Loss – Specific			\$148,608			
Agent/Consultant Fees			\$12,182			
PCORI			\$4,301			

Self Funded Financial Analysis

Total Projected Fixed Fees	\$608,073
State Healthcare Fee	\$147,230
Total Projected Costs – PY'25	\$7,508,735
Current Equivalent Premium- PY'24	\$8,101,303
Estimated Renewal Adjustment	-7.3%
Fees Outside of BCBSNC	
Legal, Accounting, Audit	\$0
Actuarial Fee	\$7,200
Adjusted Total Costs – PY'25	\$7,515,935

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Postdoctoral – Self-Funded – Scenario A

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$4,942,614	\$4,161,715	\$1,988,943	\$1,789,569	\$6,931,557	\$5,951,284
Total Claims Exceeding Stop-Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$33,116)	(\$13,942)	(\$13,326)	(\$5,995)	(\$46,441)	(\$19,937)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$4,909,499	\$4,147,773	\$1,975,617	\$1,783,574	\$6,885,116	\$5,931,347
Experience Period Lives	15,196	15,110	15,196	15,110		
PSPM Claim Cost	\$323.08	\$274.51	\$130.01	\$118.04	\$453.09	\$392.54
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	7.0%
Trend Months	33.0	21.0	33.0	21.0	33.0	21.0
Trend Factor	1.1891	1.1165	1.2357	1.1442	1.2025	1.1248
Trended PSPM Claim Cost	\$384.17	\$306.49	\$160.65	\$135.06	\$544.82	\$441.54
Large Claim Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PSPM Adjusted Claims	\$384.17	\$306.49	\$160.65	\$135.06	\$544.82	\$441.54
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost – PSPM	\$329.79		\$142.74		\$472.53	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost – PSPM	\$329.79		\$142.74		\$472.53	
Projected Lives	1,280		1,280		1,280	
Months to Project	12		12		12	
Projected Claim Cost	\$5,065,589		\$2,192,426		\$7,258,014	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$5,065,589		\$2,192,426		\$7,258,014	
Administration Fee	\$537,600					
Stop-Loss – Specific	\$146,381					
Agent/Consultant Fees	\$38,400					

Self Funded Financial Analysis

Legal. Accounting, Audit	\$30,720
PCORI	\$4,301
Total Projected Fixed Fees	\$757,402
State Healthcare Fee	\$0
Total Projected Costs – PY’25	\$8,015,416
Current Equivalent Premium- PY’24	\$8,101,303
Estimated Renewal Adjustment	-1.1%

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Postdoctoral – Self-Funded – Scenario B

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$4,942,614	\$4,161,715	\$1,988,943	\$1,789,569	\$6,931,557	\$5,951,284
Total Claims Exceeding Stop-Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$33,116)	(\$13,942)	(\$13,326)	(\$5,995)	(\$46,441)	(\$19,937)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$4,909,499	\$4,147,773	\$1,975,617	\$1,783,574	\$6,885,116	\$5,931,347
Experience Period Lives	15,196	15,110	15,196	15,110		
PSPM Claim Cost	\$323.08	\$274.51	\$130.01	\$118.04	\$453.09	\$392.54
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	7.0%
Trend Months	33.0	21.0	33.0	21.0	33.0	21.0
Trend Factor	1.1891	1.1165	1.2357	1.1442	1.2025	1.1248
Trended PSPM Claim Cost	\$384.17	\$306.49	\$160.65	\$135.06	\$544.82	\$441.54
Large Claim Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PSPM Adjusted Claims	\$384.17	\$306.49	\$160.65	\$135.06	\$544.82	\$441.54
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost – PSPM	\$329.79		\$142.74		\$472.53	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost – PSPM	\$329.79		\$142.74		\$472.53	
Projected Lives	1,280		1,280		1,280	
Months to Project	12		12		12	
Projected Claim Cost	\$5,065,589		\$2,192,426		\$7,258,014	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		(\$219,243)		(\$219,243)	
Revised Projected Claim Cost	\$5,065,589		\$1,973,183		\$7,038,772	
Administration Fee	\$258,662					
Stop-Loss – Specific	\$130,560					
Agent/Consultant Fees	\$38,400					

Self Funded Financial Analysis

Legal. Accounting, Audit	\$30,720
PCORI	\$4,301
Total Projected Fixed Fees	\$462,643
State Healthcare Fee	\$0
Total Projected Costs – PY’25	\$7,501,415
Current Equivalent Premium- PY’24	\$8,101,303
Estimated Renewal Adjustment	-7.4%

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Postdoctoral Plan

	Fully Insured BCBSNC 8/1/24-7/31/25	Self-Funded Option A 8/1/24-7/31/25	Self-Funded Option B 8/1/24-7/31/25
PSPM			
Claims	\$439.68	\$472.53	\$458.25
Administration Fee	\$28.84	\$35.00	\$16.84
Pooling Charge/ Stop-Loss Fee	\$9.68	\$9.53	\$8.50
Agent Fee/Consultant Fee	\$0.79	\$2.50	\$2.50
Legal, Accounting, Audit	\$0.00	\$2.00	\$2.00
Actuarial Fee	\$0.47	\$0.00	\$0.00
Student Fee	\$0.00	\$0.00	\$0.00
PCORI	\$0.28	\$0.28	\$0.28
State Healthcare Fee	\$9.59	\$0.00	\$0.00
Subtotal Retention and Fees	\$49.64	\$49.31	\$30.12
Total Expense	\$489.32	\$521.84	\$488.37
Annual Expense			
Claims	\$6,753,432	\$7,258,014	\$7,038,772
Administration Fee	\$442,982	\$537,600	\$258,662
Pooling Charge/ Stop-Loss Fee	\$148,608	\$146,381	\$130,560
Agent Fee/Consultant Fee	\$12,182	\$38,400	\$38,400
Legal, Accounting, Audit	\$0	\$30,720	\$30,720
Actuarial Fee	\$7,200	\$0	\$0
Student Fee	\$0	\$0	\$0
PCORI	\$4,301	\$4,301	\$4,301
State Healthcare Fee	\$147,230	\$0	\$0
Subtotal Retention and Fees	\$762,503	\$757,402	\$462,643
Total Expense	\$7,515,935	\$8,015,416	\$7,501,415
Self-Funded Savings		(\$499,481)	\$14,520

**Savings are subject to claims volatility and assumed fees and are not guaranteed.*

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario A

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$224,394	\$447,275	\$540,117	\$586,689	\$658,665	\$598,786	\$601,810	\$661,991	\$635,076	\$665,318	\$635,076	\$665,318	\$6,920,516
Administration Fee	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$537,600
Stop Loss Fee	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$146,381
Consultant Fee	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$38,400
Legal, Accounting, Audit	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$30,720
PCORI	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$4,301
Total Expense	\$287,510	\$510,392	\$603,234	\$649,806	\$721,782	\$661,903	\$664,927	\$725,108	\$698,193	\$728,435	\$698,193	\$728,435	\$7,677,918
Premium Received	\$667,951	\$667,951	\$667,951	\$667,951	\$667,951	\$667,951	\$667,951	\$667,951	\$667,951	\$667,951	\$667,951	\$667,951	\$8,015,416
Monthly Surplus	\$380,441	\$157,559	\$64,717	\$18,145	(\$53,830)	\$6,048	\$3,024	(\$57,157)	(\$30,242)	(\$60,483)	(\$30,242)	(\$60,483)	\$337,498
Cumulative Surplus	\$380,441	\$538,000	\$602,718	\$620,863	\$567,032	\$573,081	\$576,105	\$518,948	\$488,706	\$428,223	\$397,981	\$337,498	
Up Front Funding	\$872,171												
Adjusted Cumulative Surplus	\$1,252,612	\$1,410,172	\$1,474,889	\$1,493,034	\$1,439,204	\$1,445,252	\$1,448,276	\$1,391,119	\$1,360,878	\$1,300,394	\$1,270,152	\$1,209,669	

Initial Capitalization/Year End Reserve

- An initial contribution of \$0.9M will be necessary to ensure adequate cash on hand as the plan year starts and achieve a surplus at the end of the year equivalent to \$1.2M, which is equal to two months of claims. This creates a reserve that is more than adequate to cover incurred but not reported claims (IBNR).

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be (\$2.5M). This is due to very high stop loss fees for the Post Doc population.
- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to (\$2.2M), which reflects a 0.5% to 1.0% reduction in

Self Funded Financial Analysis

claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario B

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$217,615	\$433,764	\$523,802	\$568,967	\$638,769	\$580,699	\$583,632	\$641,995	\$615,893	\$645,221	\$615,893	\$645,221	\$6,711,469
Administration Fee	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$258,662
Stop Loss Fee	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$130,560
Consultant Fee	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$38,400
Legal, Accounting, Audit	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$30,720
PCORI	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$4,301
Total Expense	\$256,169	\$472,318	\$562,356	\$607,521	\$677,322	\$619,252	\$622,185	\$680,548	\$654,446	\$683,774	\$654,446	\$683,774	\$7,174,112
Premium Received	\$625,118	\$625,118	\$625,118	\$625,118	\$625,118	\$625,118	\$625,118	\$625,118	\$625,118	\$625,118	\$625,118	\$625,118	\$7,501,415
Monthly Surplus	\$368,949	\$152,800	\$62,762	\$17,597	(\$52,204)	\$5,866	\$2,933	(\$55,430)	(\$29,328)	(\$58,656)	(\$29,328)	(\$58,656)	\$327,303
Cumulative Surplus	\$368,949	\$521,749	\$584,511	\$602,108	\$549,904	\$555,770	\$558,703	\$503,272	\$473,944	\$415,288	\$385,959	\$327,303	
Up Front Funding	\$845,826												
Adjusted Cumulative Surplus	\$1,214,775	\$1,367,575	\$1,430,337	\$1,447,934	\$1,395,730	\$1,401,595	\$1,404,528	\$1,349,098	\$1,319,770	\$1,261,113	\$1,231,785	\$1,173,129	

Initial Capitalization/Year End Reserve

- An initial contribution of \$0.8M will be necessary to ensure adequate cash on hand as the plan year starts and achieve a surplus at the end of the year equivalent to \$1.2M, which is equal to two months of claims. This creates a reserve that is more than adequate to cover incurred but not reported claims (IBNR).

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be \$0.0M.
- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$0.3M, which reflects a 0.5% to 1.0% reduction in

Self Funded Financial Analysis

claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

University of North Carolina System

Student Health Insurance Plan

Additional Savings Opportunities

Benefit Plan Changes

- The out-of-pocket maximum could be increased to \$5000/\$10,000 from the current \$2100/\$4200. This change would save 2.0% of claims or approximately \$140,000.
- The out-of-pocket maximum could be increased to \$6000/\$12000 from the current \$2100/\$4200. This change would save 3.0% of claims or approximately \$210,000.

Prescription Drugs

- A change from fully insured to self funded could save between 10.0% and 12.0% in drug claims. The majority of the savings is due to the receipt of Rx Rebates. A savings of 10.0% is included in Scenario B as vendors have offered to send 100% of Rx Rebates to SHIP.
- While marketing the prescription drug benefit will typically save money choosing a vendor who shares the Rx Rebate in a self funded arrangement is common.

University of North Carolina System

Student Health Insurance Plan

Additional Savings Opportunities

Administrative Expenses

- Gallagher's fully insured projection reflects the BCBSNC rate renewal projection as well as known expenses not included in the BCBSNC rates
- The self funded projections include Gallagher's best estimate of all fees required to run a self-insured plan.

Stop Loss

- BCBSMC used a pooling level of \$175,000 in their fully insured calculation. Pooling Level is equivalent to Specific Stop Loss. GSH is recommending that Specific Stop Loss level to increase from \$250,000 to \$550,000

Cost Savings

- The removal of the State healthcare fee results in a savings of approximately \$523,000.
- Scenario B reflects the average ASO fees and Stop Loss fees provided by multiple vendors.
- Some vendors have proposed medical claims discounts exceeding what is currently achieved by 5% to 7%. No assumed savings for medical discounts has been assumed in the projections.
- **Scenario A**, referred to as the "Baseline Cost Approach," involves retaining the current carrier and implementing self-funding for the SHIP program.
- **Scenario B**, referred to as the "Mid-Case Cost Approach" represents a conservative strategy for transitioning to self-funding within the SHIP program. The approach focuses on achieving average mid-level savings, emphasizing a conservative financial outlook.
 - To evaluate the feasibility of self-funding in the UNC System, GSH conducted a comprehensive market analysis to assess potential carriers offering self-funding services.
 - This approach encompasses various carriers, ranging from Third-Party Administrators (TPAs) to Stop Loss providers, ensuring a well-rounded assessment of potential avenues for self-funding.

Self Funded Financial Analysis

- A conservative pharmacy discount of 10% has been factored into the calculations. Gallagher's National Pharmacy Practice reviewed the SHIP claims and compared to similar groups to develop the RX savings.
- Self-funding presents the opportunity to achieve greater savings through a competitive procurement process, a key advantage of self-funding for increasing cost efficiencies.

Self Funded Financial Analysis

University of North Carolina System

Research Assistant/Teaching Assistant

RA/TA – UNC-Chapel Hill – Fully Insured

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$8,530,946	\$9,324,245	\$3,817,810	\$3,890,425	\$12,348,756	\$13,214,669
Total Claims Exceeding Stop-Loss	(\$462,593)	(\$992,998)	\$0	\$0	(\$462,593)	(\$992,998)
Benefit Plan Adjustment	(\$57,157)	(\$31,236)	(\$25,579)	(\$13,033)	(\$82,737)	(\$44,269)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$8,011,196	\$8,300,011	\$3,792,230	\$3,877,392	\$11,803,426	\$12,177,402
Experience Period Lives	37,015	37,255	37,015	37,255		
PSPM Claim Cost	\$216.43	\$222.79	\$102.45	\$104.08	\$318.88	\$326.87
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2109	1.1317
Trended PSPM Claim Cost	\$258.71	\$250.05	\$127.41	\$119.85	\$386.12	\$369.90
Large Claim Adjustment	\$6.75	\$29.53	\$0.00	\$0.00	\$6.75	\$29.53
PSPM Adjusted Claims	\$265.46	\$279.58	\$127.41	\$119.85	\$392.88	\$399.43
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$275.35		\$122.12		\$397.46	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$275.35		\$122.12		\$397.46	
Projected Lives	2,859		2,859		2,859	
Months to Project	12		12		12	
Projected Claim Cost	\$9,446,547		\$4,189,627		\$13,636,174	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$9,446,547		\$4,189,627		\$13,636,174	
Administration Fee	\$1,026,127					
Stop-Loss - Specific	\$344,237					
Agent/Consultant Fees	\$28,218					

Self Funded Financial Analysis

PCORI	\$9,958
Total Projected Fixed Fees	\$1,408,540
State Healthcare Fee	\$300,894
Total Projected Costs - PY'25	\$15,345,609
Current Equivalent Premium- PY'24	\$15,050,685
Estimated Renewal Adjustment	2.0%
Fees Outside of BCBSNC	
Legal, Accounting, Audit	\$0
Actuarial Fee	\$16,081
Adjusted Total Costs - PY'25	\$15,361,690

Self Funded Financial Analysis

University of North Carolina System

Research Assistant/Teaching Assistant

RA/TA – UNC-Chapel Hill – Self-Funded – Scenario A

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$8,530,946	\$9,324,245	\$3,817,810	\$3,890,425	\$12,348,756	\$13,214,669
Total Claims Exceeding Stop-Loss	\$0	(\$600,693)	\$0	\$0	\$0	(\$600,693)
Benefit Plan Adjustment	(\$57,157)	(\$31,236)	(\$25,579)	(\$13,033)	(\$82,737)	(\$44,269)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$8,473,789	\$8,692,315	\$3,792,230	\$3,877,392	\$12,266,019	\$12,569,707
Experience Period Lives	37,015	37,255	37,015	37,255		
PSPM Claim Cost	\$228.93	\$233.32	\$102.45	\$104.08	\$331.38	\$337.40
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2103	1.1314
Trended PSPM Claim Cost	\$273.65	\$261.87	\$127.41	\$119.85	\$401.06	\$381.72
Large Claim Adjustment	\$0.00	\$14.76	\$0.00	\$0.00	\$0.00	\$14.76
PSPM Adjusted Claims	\$273.65	\$276.64	\$127.41	\$119.85	\$401.06	\$396.49
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Projected Lives	2,859		2,859		2,859	
Months to Project	12		12		12	
Projected Claim Cost	\$9,460,081		\$4,189,627		\$13,649,708	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$9,460,081		\$4,189,627		\$13,649,708	
Administration Fee	\$1,173,648					
Stop-Loss - Specific	\$230,817					
Agent/Consultant Fees	\$88,913					

Self Funded Financial Analysis

Legal, Accounting, Audit	\$71,130
PCORI	\$9,958
Total Projected Fixed Fees	\$1,574,466
State Healthcare Fee	\$0
Total Projected Costs - PY'25	\$15,224,175
Current Equivalent Premium- PY'24	\$15,050,685
Estimated Renewal Adjustment	1.2%

Self Funded Financial Analysis

University of North Carolina System

Research Assistant/Teaching Assistant

RA/TA – UNC-Chapel Hill – Self-Funded – Scenario B

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$8,530,946	\$9,324,245	\$3,817,810	\$3,890,425	\$12,348,756	\$13,214,669
Total Claims Exceeding Stop-Loss	\$0	(\$600,693)	\$0	\$0	\$0	(\$600,693)
Benefit Plan Adjustment	(\$57,157)	(\$31,236)	(\$25,579)	(\$13,033)	(\$82,737)	(\$44,269)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$8,473,789	\$8,692,315	\$3,792,230	\$3,877,392	\$12,266,019	\$12,569,707
Experience Period Lives	37,015	37,255	37,015	37,255		
PSPM Claim Cost	\$228.93	\$233.32	\$102.45	\$104.08	\$331.38	\$337.40
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2103	1.1314
Trended PSPM Claim Cost	\$273.65	\$261.87	\$127.41	\$119.85	\$401.06	\$381.72
Large Claim Adjustment	\$0.00	\$14.76	\$0.00	\$0.00	\$0.00	\$14.76
PSPM Adjusted Claims	\$273.65	\$276.64	\$127.41	\$119.85	\$401.06	\$396.49
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Projected Lives	2,859		2,859		2,859	
Months to Project	12		12		12	
Projected Claim Cost	\$9,460,081		\$4,189,627		\$13,649,708	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		(\$418,963)		(\$418,963)	
Revised Projected Claim Cost	\$9,460,081		\$3,770,664		\$13,230,745	
Administration Fee	\$677,337					
Stop-Loss - Specific	\$212,146					
Agent/Consultant Fees	\$88,913					

Self Funded Financial Analysis

Legal, Accounting, Audit	\$71,130
PCORI	\$9,958
Total Projected Fixed Fees	\$1,059,484
State Healthcare Fee	\$0
Total Projected Costs - PY'25	\$14,290,229
Current Equivalent Premium- PY'24	\$15,050,685
Estimated Renewal Adjustment	-5.1%

Self Funded Financial Analysis

University of North Carolina System

Research Assistant/Teaching Assistant

RA/TA – UNC-Chapel Hill – Fully Insured

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$8,530,946	\$9,324,245	\$3,817,810	\$3,890,425	\$12,348,756	\$13,214,669
Total Claims Exceeding Stop-Loss	(\$462,593)	(\$992,998)	\$0	\$0	(\$462,593)	(\$992,998)
Benefit Plan Adjustment	(\$57,157)	(\$31,236)	(\$25,579)	(\$13,033)	(\$82,737)	(\$44,269)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$8,011,196	\$8,300,011	\$3,792,230	\$3,877,392	\$11,803,426	\$12,177,402
Experience Period Lives	37,015	37,255	37,015	37,255		
PSPM Claim Cost	\$216.43	\$222.79	\$102.45	\$104.08	\$318.88	\$326.87
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2109	1.1317
Trended PSPM Claim Cost	\$258.71	\$250.05	\$127.41	\$119.85	\$386.12	\$369.90
Large Claim Adjustment	\$6.75	\$29.53	\$0.00	\$0.00	\$6.75	\$29.53
PSPM Adjusted Claims	\$265.46	\$279.58	\$127.41	\$119.85	\$392.88	\$399.43
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$275.35		\$122.12		\$397.46	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$275.35		\$122.12		\$397.46	
Projected Lives	2,859		2,859		2,859	
Months to Project	12		12		12	
Projected Claim Cost	\$9,446,547		\$4,189,627		\$13,636,174	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$9,446,547		\$4,189,627		\$13,636,174	
Administration Fee	\$1,026,127					
Stop-Loss - Specific	\$344,237					
Agent/Consultant Fees	\$28,218					

Self Funded Financial Analysis

PCORI	\$9,958
Total Projected Fixed Fees	\$1,408,540
State Healthcare Fee	\$300,894
Total Projected Costs - PY'25	\$15,345,609
Current Equivalent Premium- PY'24	\$15,050,685
Estimated Renewal Adjustment	2.0%
Fees Outside of BCBSNC	
Legal, Accounting, Audit	\$0
Actuarial Fee	\$16,081
Adjusted Total Costs - PY'25	\$15,361,690

Self Funded Financial Analysis

University of North Carolina System

Research Assistant/Teaching Assistant

RA/TA – UNC-Chapel Hill – Self-Funded – Scenario A

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$8,530,946	\$9,324,245	\$3,817,810	\$3,890,425	\$12,348,756	\$13,214,669
Total Claims Exceeding Stop-Loss	\$0	(\$600,693)	\$0	\$0	\$0	(\$600,693)
Benefit Plan Adjustment	(\$57,157)	(\$31,236)	(\$25,579)	(\$13,033)	(\$82,737)	(\$44,269)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$8,473,789	\$8,692,315	\$3,792,230	\$3,877,392	\$12,266,019	\$12,569,707
Experience Period Lives	37,015	37,255	37,015	37,255		
PSPM Claim Cost	\$228.93	\$233.32	\$102.45	\$104.08	\$331.38	\$337.40
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2103	1.1314
Trended PSPM Claim Cost	\$273.65	\$261.87	\$127.41	\$119.85	\$401.06	\$381.72
Large Claim Adjustment	\$0.00	\$14.76	\$0.00	\$0.00	\$0.00	\$14.76
PSPM Adjusted Claims	\$273.65	\$276.64	\$127.41	\$119.85	\$401.06	\$396.49
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Projected Lives	2,859		2,859		2,859	
Months to Project	12		12		12	
Projected Claim Cost	\$9,460,081		\$4,189,627		\$13,649,708	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$9,460,081		\$4,189,627		\$13,649,708	
Administration Fee	\$1,173,648					
Stop-Loss - Specific	\$230,817					
Agent/Consultant Fees	\$88,913					

Self Funded Financial Analysis

Legal, Accounting, Audit	\$71,130
PCORI	\$9,958
Total Projected Fixed Fees	\$1,574,466
State Healthcare Fee	\$0
Total Projected Costs - PY'25	\$15,224,175
Current Equivalent Premium- PY'24	\$15,050,685
Estimated Renewal Adjustment	1.2%

Self Funded Financial Analysis

University of North Carolina System

Research Assistant/Teaching Assistant

RA/TA – UNC-Chapel Hill – Self-Funded – Scenario B

Projection Period - 8/1/2024 through 7/31/2025

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$8,530,946	\$9,324,245	\$3,817,810	\$3,890,425	\$12,348,756	\$13,214,669
Total Claims Exceeding Stop-Loss	\$0	(\$600,693)	\$0	\$0	\$0	(\$600,693)
Benefit Plan Adjustment	(\$57,157)	(\$31,236)	(\$25,579)	(\$13,033)	(\$82,737)	(\$44,269)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$8,473,789	\$8,692,315	\$3,792,230	\$3,877,392	\$12,266,019	\$12,569,707
Experience Period Lives	37,015	37,255	37,015	37,255		
PSPM Claim Cost	\$228.93	\$233.32	\$102.45	\$104.08	\$331.38	\$337.40
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2103	1.1314
Trended PSPM Claim Cost	\$273.65	\$261.87	\$127.41	\$119.85	\$401.06	\$381.72
Large Claim Adjustment	\$0.00	\$14.76	\$0.00	\$0.00	\$0.00	\$14.76
PSPM Adjusted Claims	\$273.65	\$276.64	\$127.41	\$119.85	\$401.06	\$396.49
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Claim Fluctuation Margin	1.000		1.000		1.000	
Contract Savings	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Projected Lives	2,859		2,859		2,859	
Months to Project	12		12		12	
Projected Claim Cost	\$9,460,081		\$4,189,627		\$13,649,708	
Network Changes	\$0		\$0		\$0	
Rx Rebate	\$0		(\$418,963)		(\$418,963)	
Revised Projected Claim Cost	\$9,460,081		\$3,770,664		\$13,230,745	
Administration Fee	\$677,337					
Stop-Loss - Specific	\$212,146					
Agent/Consultant Fees	\$88,913					

Self Funded Financial Analysis

Legal, Accounting, Audit	\$71,130
PCORI	\$9,958
Total Projected Fixed Fees	\$1,059,484
State Healthcare Fee	\$0
Total Projected Costs - PY'25	\$14,290,229
Current Equivalent Premium- PY'24	\$15,050,685
Estimated Renewal Adjustment	-5.1%

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Research Assistant/Teaching Assistant – NC State

NC State	Fully Insured BCBSNC 8/1/24-7/31/25	Self-Funded Scenario A 8/1/24-7/31/25	Self-Funded Scenario B 8/1/24-7/31/25
PSPM			
Claims	\$242.12	\$239.95	\$232.58
Administration Fee	\$29.90	\$34.21	\$19.74
Pooling Charge/ Stop-Loss Fee	\$10.03	\$6.73	\$6.18
Agent Fee/Consultant Fee	\$0.82	\$2.59	\$2.59
Legal, Accounting, Audit	\$0.00	\$2.07	\$2.07
Actuarial Fee	\$0.47	\$0.00	\$0.00
Student Fee	\$0.00	\$0.00	\$0.00
PCORI	\$0.29	\$0.29	\$0.29
State Healthcare Fee	\$5.66	\$0.00	\$0.00
Subtotal Retention and Fees	\$47.17	\$45.89	\$30.88
Total Expense	\$289.29	\$285.85	\$263.46
Annual Expense			
Claims	\$9,515,227	\$9,430,176	\$9,140,392
Administration Fee	\$1,174,942	\$1,344,420	\$775,893
Pooling Charge/ Stop-Loss Fee	\$394,160	\$264,403	\$243,014
Agent Fee/Consultant Fee	\$32,311	\$101,850	\$101,850
Legal, Accounting, Audit	\$0	\$81,480	\$81,480
Actuarial Fee	\$18,421	\$0	\$0
Student Fee	\$0	\$0	\$0
PCORI	\$11,407	\$11,407	\$11,407
State Healthcare Fee	\$222,561	\$0	\$0
Subtotal Retention and Fees	\$1,853,801	\$1,803,560	\$1,213,645
Total Expense	\$11,369,028	\$11,233,736	\$10,354,037
Self-Funded Savings		\$135,292	\$1,014,991

**Savings are subject to claims volatility and assumed fees and are not guaranteed.*

Self Funded Financial Analysis

- The fully insured renewal from BCBSNC does not include the actuarial fee of \$0.47.
- The claims in Option B are lower due to an Rx Rebate of 10.0%. Our National Pharmacy Practice has reviewed the SHIP claims and compared to similar groups to come to this estimate. This is a benefit of self-funding.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Research Assistant/Teaching Assistant – UNC-Chapel Hill

	Fully Insured BCBSNC 8/1/24-7/31/25	Self-Funded Scenario A 8/1/24-7/31/25	Self-Funded Scenario B 8/1/24-7/31/25
UNC-Chapel Hill			
PSPM			
Claims	\$397.46	\$397.86	\$385.65
Administration Fee	\$29.91	\$34.21	\$19.74
Pooling Charge/Stop-Loss Fee	\$10.03	\$6.73	\$6.18
Agent Fee/Consultant Fee	\$0.82	\$2.59	\$2.59
Legal, Accounting, Audit	\$0.00	\$2.07	\$2.07
Actuarial Fee	\$0.47	\$0.00	\$0.00
Student Fee	\$0.00	\$0.00	\$0.00
PCORI	\$0.29	\$0.29	\$0.29
State Healthcare Fee	\$8.77	\$0.00	\$0.00
Subtotal Retention and Fees	\$50.29	\$45.89	\$30.88
Total Expense	\$447.76	\$443.75	\$416.53
Annual Expense			
Claims	\$13,636,174	\$13,649,708	\$13,230,745
Administration Fee	\$1,026,127	\$1,173,648	\$677,337
Pooling Charge/Stop-Loss Fee	\$344,237	\$230,817	\$212,146
Agent Fee/Consultant Fee	\$28,218	\$88,913	\$88,913
Legal, Accounting, Audit	\$0	\$71,130	\$71,130
Actuarial Fee	\$16,081	\$0	\$0
Student Fee	\$0	\$0	\$0
PCORI	\$9,958	\$9,958	\$9,958
State Healthcare Fee	\$300,894	\$0	\$0
Subtotal Retention and Fees	\$1,725,516	\$1,574,466	\$1,059,484
Total Expense	\$15,361,690	\$15,224,175	\$14,290,229
Self-Funded Savings		\$137,515	\$1,071,460

**Savings are subject to claims volatility and assumed fees and are not guaranteed.*

Self Funded Financial Analysis

- The fully insured renewal from BCBSNC does not include the actuarial fee of \$0.47.
- The claims in Option B are lower due to an Rx Rebate of 10.0%. Our National Pharmacy Practice has reviewed the SHIP claims and compared to similar groups to come to this estimate. This is a benefit of self-funding.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario A

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$713,553	\$1,422,298	\$1,717,528	\$1,865,624	\$2,094,499	\$1,904,090	\$1,913,707	\$2,105,078	\$2,019,490	\$2,115,656	\$2,019,490	\$2,115,656	\$22,006,669
Administration Fee	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$2,518,068
Stop Loss Fee	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$495,220
Consultant Fee	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$190,763
Legal, Accounting, Audit	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$152,610
PCORI	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$21,365
Total Expense	\$995,055	\$1,703,800	\$1,999,030	\$2,147,126	\$2,376,002	\$2,185,593	\$2,195,209	\$2,386,580	\$2,300,992	\$2,397,158	\$2,300,992	\$2,397,158	\$25,384,695
Premium Received	\$2,204,826	\$2,204,826	\$2,204,826	\$2,204,826	\$2,204,826	\$2,204,826	\$2,204,826	\$2,204,826	\$2,204,826	\$2,204,826	\$2,204,826	\$2,204,826	\$26,457,910
Monthly Surplus	\$1,209,771	\$501,026	\$205,796	\$57,700	(\$171,176)	\$19,233	\$9,617	(\$181,754)	(\$96,166)	(\$192,332)	(\$96,166)	(\$192,332)	\$1,073,215
Cumulative Surplus	\$1,209,771	\$1,710,796	\$1,916,592	\$1,974,292	\$1,803,116	\$1,822,349	\$1,831,966	\$1,650,212	\$1,554,046	\$1,361,713	\$1,265,547	\$1,073,215	
Up Front Funding	\$2,773,433												
Adjusted Cumulative Surplus	\$3,983,203	\$4,484,229	\$4,690,025	\$4,747,724	\$4,576,549	\$4,595,782	\$4,605,399	\$4,423,644	\$4,327,478	\$4,135,146	\$4,038,980	\$3,846,647	

Initial Capitalization/Year End Reserve

- An initial contribution of \$2.8M will be necessary to ensure adequate cash on hand as the plan year starts and achieve a surplus at the end of the year equivalent to \$3.8M, which is equal to two months of claims. This creates a reserve that is more than adequate to cover incurred but not reported claims (IBNR).

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be \$0.5M.
- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$1.1M, which reflects a 0.5% to 1.0% reduction

Self Funded Financial Analysis

in claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario B

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$691,641	\$1,378,621	\$1,664,786	\$1,808,334	\$2,030,181	\$1,845,619	\$1,854,940	\$2,040,434	\$1,957,475	\$2,050,688	\$1,957,475	\$2,050,688	\$21,330,880
Administration Fee	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$1,453,230
Stop Loss Fee	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$455,160
Consultant Fee	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$190,763
Legal, Accounting, Audit	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$152,610
PCORI	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$21,365
Total Expense	\$881,068	\$1,568,049	\$1,854,213	\$1,997,761	\$2,219,608	\$2,035,046	\$2,044,368	\$2,229,862	\$2,146,902	\$2,240,115	\$2,146,902	\$2,240,115	\$23,604,008
Premium Received	\$2,053,689	\$2,053,689	\$2,053,689	\$2,053,689	\$2,053,689	\$2,053,689	\$2,053,689	\$2,053,689	\$2,053,689	\$2,053,689	\$2,053,689	\$2,053,689	\$24,644,266
Monthly Surplus	\$1,172,620	\$485,640	\$199,476	\$55,928	(\$165,919)	\$18,643	\$9,321	(\$176,173)	(\$93,213)	(\$186,426)	(\$93,213)	(\$186,426)	\$1,040,258
Cumulative Surplus	\$1,172,620	\$1,658,261	\$1,857,737	\$1,913,664	\$1,747,745	\$1,766,388	\$1,775,709	\$1,599,536	\$1,506,323	\$1,319,897	\$1,226,684	\$1,040,258	
Up Front Funding	\$2,688,265												
Adjusted Cumulative Surplus	\$3,860,886	\$4,346,526	\$4,546,002	\$4,601,930	\$4,436,010	\$4,454,653	\$4,463,974	\$4,287,801	\$4,194,588	\$4,008,162	\$3,914,949	\$3,728,523	

Initial Capitalization/Year End Reserve

- An initial contribution of \$2.7M will be necessary to ensure adequate cash on hand as the plan year starts and achieve a surplus at the end of the year equivalent to \$3.7M, which is equal to two months of claims. This creates a reserve that is more than adequate to cover incurred but not reported claims (IBNR).

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be \$0.0M.
- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$0.3M, which reflects a 0.5% to 1.0% reduction in

Self Funded Financial Analysis

claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

University of North Carolina System

Student Health Insurance Plan

Additional Savings Opportunities

Benefit Plan Changes

- The out-of-pocket maximum could be increased to \$5000/\$10,000 from the current \$2100/\$4200. This change would save 2.0% of claims.
- The out-of-pocket maximum could be increased to \$6000/\$12000 from the current \$2100/\$4200. This change would save 3.0% of claims.

Prescription Drugs

- A change from fully insured to self-funded could save between 10.0% and 12.0% in drug claims. The majority of the savings is due to the receipt of Rx Rebates. A savings of 10.0% is included in Option B as vendors have offered to provide 100% of Rx Rebates to SHIP.
- While marketing the prescription drug benefit will typically save money, choosing a vendor who shares the Rx Rebate in a self-funded arrangement is common.

Best and Final Offer (BAFO)

- It is Gallagher's opinion that the incumbent vendor in a fully insured to self-funded feasibility will not put their best offer on the table initially. As a result Option A could look more similar to Option B when negotiations truly take place.

Five-Year Forecasting

First Year Savings

- The first-year savings are assumed to continue each year but can increase or decrease each year based on changes to the SHIP population, re-negotiations and a multitude of other variables.
- If we could assume that everything stays the same for five years, the five-year savings for Option A would be approximately \$275,000 taking claim trend into consideration.
- If we could assume that everything stays the same for five years, the five-year savings for Option B would be approximately \$2.1M taking claim trend into consideration.

Impact of Self-Funding

- Savings in the first year will escalate each year when changing from a fully insured to a self-funded arrangement due to the fully insured vendor retaining savings in better-than-expected years and passing losses on to SHIP in worse than average years. Fully insured rates typically incorporate more conservative estimates, which can result in higher premiums.

Self Funded Financial Analysis

- The estimates savings for Option A and Option B could be as much as 50% more due to switching to a self-funded arrangement.

Business Decisions

- The renewal increase in the fully insured model is determined by Gallagher's actuaries, who assess what they consider appropriate based on the provided data, as well as the pricing methodologies and assumptions applied.
- Predicting a vendor's actions to retain their business in any given year can be challenging and uncertain.

University of North Carolina System

Student Health Insurance Plan

Alternate Rating Methodologies for the SHIP Plan

Examples

- Adjustment Table for Five-Year Loss Ratio Rating Methodology: Universities receive an incremental adjustment, which can be either an increase or a decrease, determined by the percentage variance from the average 5-year loss ratio. This ensures a more equitable and responsive allocation based on their utilization.
- Banded Layer in Banded Layer Rating Methodology: The banded layer within the Banded Layer rating methodology can be adjusted to align with the desired stop-loss threshold. This adaptability ensures that the rating methodology can be fine-tuned to meet specific coverage and cost considerations, providing a more precise and cost-effective approach to SHIP rating.

Purpose

- The purpose of implementing alternative rating methodologies is to improve the allocation of expenses to students based on their respective university's average cost. By implementing these methodologies, the aim is to create a fairer and more equitable system where students pay for their SHIP coverage based on a more accurate reflection of the cost associated with their university.

Benefits

- One of the primary advantages of adopting alternative rating methodologies is their capacity to stimulate greater participation in the Student Health Insurance Plan (SHIP) pool among students attending universities with lower healthcare utilization, resulting in lower premium costs. In essence, these methodologies serve as an incentive for broader enrollment and a more balanced distribution of costs, ultimately benefiting both students and enhancing the long-term sustainability of the SHIP.

Cost Savings

- Reducing the allocated cost to universities with lower utilization, which lowers student premiums, may attract more participants at these universities. Consequently, this increased participation can elevate the average cost within the total Student Health Insurance Pool, thereby expanding the risk pool and ultimately decreasing premiums for all students.

Self Funded Financial Analysis

Rate Increases Adjusted for Five-Year Loss Ratio

University	Option A	Adjustment	Revised Rate Increase
Appalachian State University	11.0%	-5.0%	6.0%
East Carolina University	11.0%	0.0%	11.0%
Elizabeth City State University	11.0%	-10.0%	1.0%
Fayetteville State University	11.0%	-5.0%	6.0%
North Carolina A&T State University	11.0%	-5.0%	6.0%
NC State University	11.0%	0.0%	11.0%
North Carolina Central University	11.0%	0.0%	11.0%
UNC Asheville	11.0%	0.0%	11.0%
UNC-Chapel Hill	11.0%	10.0%	21.0%
UNC Charlotte	11.0%	0.0%	11.0%
UNC Greensboro	11.0%	0.0%	11.0%
UNC Pembroke	11.0%	-5.0%	6.0%
University of North Carolina School of the Arts	11.0%	-5.0%	6.0%
UNC Wilmington	11.0%	-2.5%	8.5%
Western Carolina University	11.0%	-2.5%	8.5%
Winston-Salem State University	11.0%	-5.0%	6.0%
UNC System SHIP	11.0%		11.0%

- Universities receive the aggregate increase plus an increase/decrease based on percent variance to the average five-year loss ratio.
- For example: If a school's five-year loss ratio is 7.5% higher than the average five-year loss ratio, they receive 11.0% plus 2.5% for a revised increase of 13.5%.

Variance to Average Loss Ratio	Adjustment to Average Rate Increase
> 20.0%	10.0%
15.0% to 20.0%	7.5%
10.0% to 15.0%	5.0%
5.0% to 10.0%	2.5%
+/- 5.0%	0.0%
-5.0% to -10.0%	-2.5%
-10.0% to -15.0%	-5.0%
-15.0% to -20.0%	-7.5%
< -20.0%	-10.0%

Self Funded Financial Analysis

Rate Increases Adjusted for Banded Layer

University	Community	Banded Layer
Appalachian State University	11.0%	7.2%
East Carolina University	11.0%	7.6%
Elizabeth City State University	11.0%	-22.7%
Fayetteville State University	11.0%	-2.3%
North Carolina A&T State University	11.0%	-2.8%
NC State University	11.0%	10.0%
North Carolina Central University	11.0%	11.3%
UNC Asheville	11.0%	17.6%
UNC-Chapel Hill	11.0%	36.5%
UNC Charlotte	11.0%	3.9%
UNC Greensboro	11.0%	15.8%
UNC Pembroke	11.0%	-8.5%
University of North Carolina School of the Arts	11.0%	3.9%
UNC Wilmington	11.0%	1.0%
Western Carolina University	11.0%	3.9%
Winston-Salem State University	11.0%	-1.5%
UNC System SHIP	11.0%	11.0%

- Universities are responsible for their own claims up to \$25,000.
- A banded layer of claims is projected for all schools for claims between \$25,000 and \$550,000 based on claims from all sixteen schools.
- The banded layer can be modified or a ceiling/floor for rate increases/decreases can be developed to mitigate the impact of this methodology.

Alternate Rating Methodologies

Examples

- Adjustment Table for Five-Year Loss Ratio Rating Methodology: Universities receive an incremental adjustment, which can be either an increase or a decrease, determined by the percentage variance from the average 5-year loss ratio. This ensures a more equitable and responsive allocation based on their utilization.
- Banded Layer in Banded Layer Rating Methodology: The banded layer within the Banded Layer rating methodology can be adjusted to align with the desired stop-loss threshold. This adaptability ensures that the rating methodology can be fine-tuned to meet specific coverage and cost considerations, providing a more precise and cost-effective approach to SHIP rating.

Purpose

- The purpose of implementing alternative rating methodologies is to improve the allocation of expenses to students based on their respective university's average cost. By implementing these methodologies, the aim is to create a fairer and more equitable system where students pay for their SHIP coverage based on a more accurate reflection of the cost associated with their university.

Benefit

- One of the primary advantages of adopting alternative rating methodologies is their capacity to stimulate greater participation in the Student Health Insurance Plan (SHIP) pool among students attending universities with lower healthcare utilization, resulting in lower premium costs. In essence, these methodologies serve as an incentive for broader enrollment and a more balanced distribution of costs, ultimately benefiting both students and enhancing the long-term sustainability of the SHIP.

Cost Savings

- Reducing the allocated cost to universities with lower utilization, which lowers student premiums, may attract more participants at these universities. Consequently, this increased participation can elevate the average cost within the total Student Health Insurance Pool, thereby expanding the risk pool and ultimately decreasing premiums for all students.

University of North Carolina System

Student Health Insurance Plan

Alternative Plan

Proposed Changes

- Reduce health center fee schedule to be equivalent to the BCBSNC fee schedule.
- Increase the out-of-pocket maximum to \$5000/\$10000

Health Center Fee Schedule Change

- BCBSNC provided the allowed claims cost of the Top 20 services provided at your health centers.
- BCBSNC provided the allowed claims cost of the Top 20 services provided at your health centers, but provided through the BCBSNC network.
- The total claims cost at the health centers was 8.0% higher than those in the BCBSNC network.
- The percent of claims from the health centers is approximately 6.0% of total claims.
- The estimated savings, if the fee schedule at the health centers was reduced 8.0%, is 0.5% of total claims.

Benefit Plan Cost Sharing Change

- The current out-of-pocket maximum is \$4000/\$8000.
- The estimate savings of changing the out-of-pocket maximum to \$5000/\$10000 is 0.5%.
- **Scenario A**, referred to as the “Baseline Cost Approach,” involves retaining the current carrier and implementing self-funding for the SHIP program.
- **Scenario B**, referred to as the “Mid-Case Cost Approach” represents a conservative strategy for transitioning to self-funding within the SHIP program. The approach focuses on achieving average mid-level savings, emphasizing a conservative financial outlook.
 - To evaluate the feasibility of self-funding in the UNC System, GSH conducted a comprehensive market analysis to assess potential carriers offering self-funding services.
 - This approach encompasses various carriers, ranging from Third-Party Administrators (TPAs) to Stop Loss providers, ensuring a well-rounded assessment of potential avenues for self-funding.

Self Funded Financial Analysis

- A conservative pharmacy discount of 10% has been factored into the calculations. Gallagher's National Pharmacy Practice reviewed the SHIP claims and compared to similar groups to develop the RX savings.
- Self-funding presents the opportunity to achieve greater savings through a competitive procurement process, a key advantage of self-funding for increasing cost efficiencies.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

SHIP - Fully Insured - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$43,481,935	\$44,587,859	\$17,625,263	\$16,278,022	\$61,107,198	\$60,865,882
Pooling Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$565,265)	(\$289,821)	(\$229,128)	(\$105,807)	(\$794,394)	(\$395,628)
Demographic Adjustment	(\$434,819)	(\$445,879)	(\$176,253)	(\$162,780)	(\$611,072)	(\$608,659)
Total Net Paid Claims	\$42,481,851	\$43,852,160	\$17,219,882	\$16,009,435	\$59,701,733	\$59,861,595
Experience Period Lives	319,245	312,461	319,245	312,461		
PSPM Claim Cost	\$133.07	\$140.34	\$53.94	\$51.24	\$187.01	\$191.58
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	6.9%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2093	1.1302
Trended PSPM Claim Cost	\$159.06	\$157.52	\$67.08	\$59.00	\$226.15	\$216.52
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Projected Lives	23,699		23,699		23,699	
Months to Project	12		12		12	
Projected Claim Cost	\$44,928,493		\$17,468,565		\$62,397,058	
Network Changes	(\$224,642)		(\$87,343)		(\$311,985)	
Proposed Benefit Plan Changes	(\$224,642)		(\$87,343)		(\$311,985)	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$44,479,208		\$17,293,880		\$61,773,088	
Administration Fee	\$8,201,750					
Pooling Charge	\$663,406					
Agent Fee	\$225,548					
PCORI	\$79,629					
Total Projected Fixed Rates	\$9,170,333					
State Healthcare Fee	\$1,454,340					
Total Projected Costs – PY’25	\$72,397,761					
Current Equivalent Premium - –PY’4	\$65,522,995					
Estimated Renewal Adjustment	10.5%					
Fees Outside of BCBSNC						

Self Funded Financial Analysis

Legal, Accounting, Audit	\$0
Actuarial Fee	\$133,299
Student Fee	\$473,980
Adjusted Total Costs PY'25	\$73,005,039

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

SHIP - Self Funded - Scenario A – Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$43,481,935	\$44,587,859	\$17,625,263	\$16,278,022	\$61,107,198	\$60,865,882
Total Claims Exceeding Stop Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$565,265)	(\$289,821)	(\$229,128)	(\$105,807)	(\$794,394)	(\$395,628)
Demographic Adjustment	(\$434,819)	(\$445,879)	(\$176,253)	(\$162,780)	(\$611,072)	(\$608,659)
Total Net Paid Claims	\$42,481,851	\$43,852,160	\$17,219,882	\$16,009,435	\$59,701,733	\$59,861,595
Experience Period Lives	319,245	312,461	319,245	312,461		
PSPM Claim Cost	\$133.07	\$140.34	\$53.94	\$51.24	\$187.01	\$191.58
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	6.9%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2093	1.1302
Trended PSPM Claim Cost	\$159.06	\$157.52	\$67.08	\$59.00	\$226.15	\$216.52
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Projected Lives	23,699		23,699		23,699	
Months to Project	12		12		12	
Projected Claim Cost	\$44,928,493		\$17,468,565		\$62,397,058	
Network Changes	(\$224,642)		(\$87,343)		(\$311,985)	
Proposed Benefit Plan Changes	(\$224,642)		(\$87,343)		(\$311,985)	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$44,479,208		\$17,293,880		\$61,773,088	
Administration Fee	\$8,201,750					
Stop Loss - Specific	\$753,628					
Consultant Fees	\$710,970					
Legal, Accounting, Audit	\$568,776					
PCORI	\$79,629					
Total Projected Fixed Fees	\$10,360,255					
State Healthcare Fee	\$0					
Total Projected Costs – PY’25	\$72,133,342					
Current Equivalent Premium - –PY’4	\$65,522,995					
Estimated Renewal Adjustment	10.1%					

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

SHIP - Self Funded - Scenario B – Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$43,481,935	\$44,587,859	\$17,625,263	\$16,278,022	\$61,107,198	\$60,865,882
Total Claims Exceeding Stop Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$565,265)	(\$289,821)	(\$229,128)	(\$105,807)	(\$794,394)	(\$395,628)
Demographic Adjustment	(\$434,819)	(\$445,879)	(\$176,253)	(\$162,780)	(\$611,072)	(\$608,659)
Total Net Paid Claims	\$42,481,851	\$43,852,160	\$17,219,882	\$16,009,435	\$59,701,733	\$59,861,595
Experience Period Lives	319,245	312,461	319,245	312,461		
PSPM Claim Cost	\$133.07	\$140.34	\$53.94	\$51.24	\$187.01	\$191.58
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	6.9%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2093	1.1302
Trended PSPM Claim Cost	\$159.06	\$157.52	\$67.08	\$59.00	\$226.15	\$216.52
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$157.98		\$61.43		\$219.41	
Projected Lives	23,699		23,699		23,699	
Months to Project	12		12		12	
Projected Claim Cost	\$44,928,493		\$17,468,565		\$62,397,058	
Network Changes	(\$224,642)		(\$87,343)		(\$311,985)	
Proposed Benefit Plan Changes	(\$224,642)		(\$87,343)		(\$311,985)	
Rx Rebate	\$0		(\$1,746,857)		(\$1,746,857)	
Revised Projected Claim Cost	\$44,479,208		\$15,547,023		\$60,026,231	
Administration Fee	\$5,245,537					
Stop Loss - Specific	\$753,628					
Consultant Fees	\$710,970					
Legal, Accounting, Audit	\$568,776					
PCORI	\$79,629					
Total Projected Fixed Fees	\$7,146,670					
State Healthcare Fee	\$0					
Total Projected Costs – PY’25	\$67,172,902					
Current Equivalent Premium - –PY’4	\$65,522,995					
Estimated Renewal Adjustment	2.5%					

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Alternative Plan

	Fully Insured BCBSNC 8/1/24-7/31/25	Self-Funded Scenario A 8/1/24-7/31/25	Self-Funded Scenario B 8/1/24-7/31/25
PSPM			
Claims	\$217.21	\$217.21	\$211.07
Administration Fee	\$28.84	\$29.00	\$18.45
Pooling Charge/ Stop-Loss Fee	\$2.33	\$2.65	\$1.91
Agent Fee/Consultant Fee	\$0.79	\$2.50	\$2.50
Legal, Accounting, Audit	\$0.00	\$2.00	\$2.00
Actuarial Fee	\$0.47	\$0.00	\$0.00
Student Fee	\$1.67	\$0.00	\$0.00
PCORI	\$0.28	\$0.28	\$0.28
State Healthcare Fee	\$5.11	\$0.00	\$0.00
Subtotal Retention and Fees	\$39.50	\$36.43	\$25.13
Total Expense	\$256.71	\$253.64	\$236.20
Annual Expense			
Claims	\$61,773,088	\$61,773,088	\$60,026,231
Administration Fee	\$8,201,750	\$8,247,252	\$5,245,537
Pooling Charge/ Stop-Loss Fee	\$663,406	\$753,628	\$541,759
Agent Fee/Consultant Fee	\$225,548	\$710,970	\$710,970
Legal, Accounting, Audit	\$0	\$568,776	\$568,776
Actuarial Fee	\$133,299	\$0	\$0
Student Fee	\$473,980	\$0	\$0
PCORI	\$79,629	\$79,629	\$79,629
State Healthcare Fee	\$1,454,340	\$0	\$0
Subtotal Retention and Fees	\$11,231,952	\$10,360,255	\$7,146,670
Total Expense	\$73,005,039	\$72,133,342	\$67,172,902
Self-Funded Savings		\$871,697	\$5,832,138

**Savings are subject to claims volatility and assumed fees and are not guaranteed.*

Self Funded Financial Analysis

- The projected fully insured rate for BCBSNC does not include the actuarial fee of \$0.47 or the Student Fee of \$1.67 so the BCBSNC fully insured rate is projected to be \$256.81 vs a current rate of \$230.40. This is an increase of 11.5%.
- The claims in Scenario A are lower due to an Rx Rebate of 10.0%. Gallagher's National Pharmacy Practice has reviewed the SHIP claims and compared to similar groups to develop this estimate. This is a benefit of self funding.

Self Funded Financial Analysis

Cash Flow Analysis – Scenario A – Alternative Plan

Year 1	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$1,909,818	\$3,806,767	\$4,596,947	\$4,993,325	\$5,605,908	\$5,096,280	\$5,122,019	\$5,634,220	\$5,405,145	\$5,662,533	\$5,405,145	\$5,662,533	\$58,900,639
Administratio n Fee	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$8,247,252
Stop Loss Fee	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$753,628
Consultant Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$710,970
Legal, Accounting, Audit	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$568,776
PCORI	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$79,629
Total Expense	\$2,773,173	\$4,670,121	\$5,460,302	\$5,856,679	\$6,469,262	\$5,959,634	\$5,985,373	\$6,497,575	\$6,268,500	\$6,525,888	\$6,268,500	\$6,525,888	\$69,260,894
Premium Received	\$0	\$0	\$0	\$26,651,815	\$11,422,206	\$0	\$0	\$23,841,525	\$10,217,796	\$0	\$0	\$0	\$72,133,343
Monthly Surplus	(\$2,773,173)	(\$4,670,121)	(\$5,460,302)	\$20,795,136	\$4,952,944	(\$5,959,634)	(\$5,985,373)	\$17,343,950	\$3,949,297	(\$6,525,888)	(\$6,268,500)	(\$6,525,888)	\$2,872,449
Prior Year Surplus	\$0												
Cumulative Surplus	(\$2,773,173)	(\$7,443,294)	(\$12,903,596)	\$7,891,540	\$12,844,484	\$6,884,850	\$899,477	\$18,243,427	\$22,192,724	\$15,666,836	\$9,398,336	\$2,872,449	
Initial Capitalizatio n	\$17,250,000												
Adjusted Cumulative Surplus	\$14,476,827	\$9,806,706	\$4,346,404	\$25,141,540	\$30,094,484	\$24,134,850	\$18,149,477	\$35,493,427	\$39,442,724	\$32,916,836	\$26,648,336	\$20,122,449	
Surplus													\$14,377,551
Reserve													\$2,872,449
Reserve Cushion													\$2,872,449

Self Funded Financial Analysis

Year 2	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	FY'26
Claims Paid	\$3,819,636	\$4,638,129	\$5,183,792	\$5,456,623	\$6,002,285	\$5,456,623	\$5,456,623	\$6,002,285	\$5,729,454	\$6,002,285	\$5,729,454	\$6,002,285	\$65,479,473
Administratio n Fee	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$687,271	\$8,494,670
Stop Loss Fee	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$62,802	\$828,991
Consultant Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$732,299
Legal, Accounting, Audit	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$585,839
PCORI	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$6,636</u>	<u>\$82,017</u>
Total Expense	\$4,682,991	\$5,501,484	\$6,047,146	\$6,319,977	\$6,865,640	\$6,319,977	\$6,319,977	\$6,865,640	\$6,592,808	\$6,865,640	\$6,592,808	\$6,865,640	\$76,203,290
Premium Received	\$0	\$0	\$0	\$28,155,578	\$12,066,676	\$0	\$0	\$25,186,725	\$10,794,311	\$0	\$0	\$0	\$76,203,290
Monthly Surplus	(\$4,682,991))	(\$5,501,484))	(\$6,047,146))	\$21,835,601	\$5,201,037	(\$6,319,977))	(\$6,319,977))	\$18,321,085	\$4,201,502	(\$6,865,640))	(\$6,592,808))	(\$6,865,640))	
Prior Year Surplus	\$20,122,449												
Cumulative Surplus	\$15,439,458	\$9,937,974	\$3,890,828	\$25,726,429	\$30,927,466	\$24,607,488	\$18,287,511	\$36,608,596	\$40,810,098	\$33,944,458	\$27,351,650	\$20,486,010	
Additional Funding	\$0												
Adjusted Cumulative Surplus	\$15,439,458	\$9,937,974	\$3,890,828	\$25,726,429	\$30,927,466	\$24,607,488	\$18,287,511	\$36,608,596	\$40,810,098	\$33,944,458	\$27,351,650	\$20,486,010	
Surplus													\$14,396,419
Reserve													\$3,044,796
Reserve Cushion													\$3,044,796

Initial Capitalization/Year End Reserve

- No premium is assumed to be collected before November.
- The initial capitalization would be \$17.25M.
- At the end of the year, the surplus generated would be \$20.1M.
- The year end surplus is allocated as \$14.4M in true surplus and \$5.7M in reserve to pay for claims incurred but not yet reported.

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be \$5.0M.

Self Funded Financial Analysis

- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$8.0M, which reflects a 0.5% to 1.0% reduction in claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

Self Funded Financial Analysis

Cash Flow Analysis – Scenario B – Alternative Plan

Year 1	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$1,855,811	\$3,699,116	\$4,466,952	\$4,852,120	\$5,447,380	\$4,952,164	\$4,977,175	\$5,474,892	\$5,252,295	\$5,502,405	\$5,252,295	\$5,502,405	\$57,235,011
Administratio n Fee	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$5,245,537
Stop Loss Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$710,970
Consultant Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$710,970
Legal, Accounting, Audit	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$568,776
PCORI	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$79,629
Total Expense	\$2,465,468	\$4,308,773	\$5,076,609	\$5,461,777	\$6,057,037	\$5,561,821	\$5,586,832	\$6,084,549	\$5,861,952	\$6,112,061	\$5,861,952	\$6,112,061	\$64,550,893
Premium Received	\$0	\$0	\$0	\$24,881,552	\$10,663,522	\$0	\$0	\$22,257,927	\$9,539,111	\$0	\$0	\$0	\$67,342,113
Monthly Surplus	(\$2,465,468)	(\$4,308,773)	(\$5,076,609)	\$19,419,775	\$4,606,485	(\$5,561,821)	(\$5,586,832)	\$16,173,377	\$3,677,159	(\$6,112,061)	(\$5,861,952)	(\$6,112,061)	\$2,791,220
Prior Year Surplus	\$0												
Cumulative Surplus	(\$2,465,468)	(\$6,774,241)	(\$11,850,850)	\$7,568,925	\$12,175,410	\$6,613,589	\$1,026,757	\$17,200,135	\$20,877,294	\$14,765,233	\$8,903,281	\$2,791,220	
Initial Capitalizatio n	\$16,500,000												
Adjusted Cumulative Surplus	\$14,034,532	\$9,725,759	\$4,649,150	\$24,068,925	\$28,675,410	\$23,113,589	\$17,526,757	\$33,700,135	\$37,377,294	\$31,265,233	\$25,403,281	\$19,291,220	
Surplus													\$13,708,780
Reserve													\$2,791,220
Reserve Cushion													\$2,791,220

Self Funded Financial Analysis

Year 2	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	FY'26
Claims Paid	\$3,711,622	\$4,506,970	\$5,037,201	\$5,302,317	\$5,832,549	\$5,302,317	\$5,302,317	\$5,832,549	\$5,567,433	\$5,832,549	\$5,567,433	\$5,832,549	\$63,627,805
Administratio n Fee	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$437,128	\$5,402,903
Stop Loss Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$782,067
Consultant Fee	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$59,248	\$732,299
Legal, Accounting, Audit	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$47,398	\$585,839
PCORI	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$6,636	\$82,017
Total Expense	\$4,321,279	\$5,116,626	\$5,646,858	\$5,911,974	\$6,442,206	\$5,911,974	\$5,911,974	\$6,442,206	\$6,177,090	\$6,442,206	\$6,177,090	\$6,442,206	\$71,212,931
Premium Received	\$0	\$0	\$0	\$26,311,741	\$11,276,461	\$0	\$0	\$23,537,310	\$10,087,419	\$0	\$0	\$0	\$71,212,931
Monthly Surplus	(\$4,321,279) ()	(\$5,116,626) ()	(\$5,646,858) ()	\$20,399,767	\$4,834,255	(\$5,911,974) ()	(\$5,911,974) ()	\$17,095,105	\$3,910,329	(\$6,442,206) ()	(\$6,177,090) ()	(\$6,442,206) ()	
Prior Year Surplus	\$19,291,220												
Cumulative Surplus	\$14,969,941	\$9,853,315	\$4,206,457	\$24,606,224	\$29,440,479	\$23,528,505	\$17,616,531	\$34,711,636	\$38,621,965	\$32,179,759	\$26,002,670	\$19,560,464	
Additional Funding	\$0												
Adjusted Cumulative Surplus	\$14,969,941	\$9,853,315	\$4,206,457	\$24,606,224	\$29,440,479	\$23,528,505	\$17,616,531	\$34,711,636	\$38,621,965	\$32,179,759	\$26,002,670	\$19,560,464	
Surplus													\$13,643,078
Reserve													\$2,958,693
Reserve Cushion													\$2,958,693

Initial Capitalization/Year End Reserve

- No premium is assumed to be collected before November.
- The initial capitalization would be \$16.5M.
- At the end of the year, the surplus generated would be \$19.3M.
- The year end surplus is allocated as \$13.7M in true surplus and \$5.6M in reserve to pay for claims incurred but not yet reported.

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, are projected to be \$30.0M.

Self Funded Financial Analysis

- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$35.0M, which reflects a 0.5% to 1.0% reduction in claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

University of North Carolina System

Student Health Insurance Plan

Alternative Plan

Proposed Changes

- Reduce health center fee schedule to be equivalent to the BCBSNC fee schedule.
- Increase the out-of-pocket maximum to \$5000/\$10000

Health Center Fee Schedule Change

- BCBSNC provided the allowed claims cost of the Top 20 services provided at your health centers.
- BCBSNC provided the allowed claims cost of the Top 20 services provided at your health centers, but provided through the BCBSNC network.
- The total claims cost at the health centers was 8.0% higher than those in the BCBSNC network.
- The percent of claims from the health centers is approximately 6.0% of total claims.
- The estimated savings, if the fee schedule at the health centers was reduced 8.0%, is 0.5% of total claims.

Benefit Plan Cost Sharing Change

- The current out-of-pocket maximum is \$2100/\$4200.
- The estimate savings of changing the out-of-pocket maximum to \$5000/\$10000 is 2.0%.
- **Scenario A**, referred to as the “Baseline Cost Approach,” involves retaining the current carrier and implementing self-funding for the SHIP program.
- **Scenario B**, referred to as the “Average Cost Approach” represents a conservative strategy for transitioning to self-funding within the SHIP program. The approach focuses on achieving average mid-level savings, emphasizing a conservative financial outlook.
 - To evaluate the feasibility of self-funding in the UNC System, GSH conducted a comprehensive market analysis to assess potential carriers offering self-funding services.
 - This approach encompasses various carriers, ranging from Third-Party Administrators (TPAs) to Stop Loss providers, ensuring a well-rounded assessment of potential avenues for self-funding.

Self Funded Financial Analysis

- A conservative pharmacy discount of 10% has been factored into the calculations. Gallagher's National Pharmacy Practice reviewed the SHIP claims and compared to similar groups to develop the RX savings.
- Self-funding presents the opportunity to achieve greater savings through a competitive procurement process, a key advantage of self-funding for increasing cost efficiencies.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Post Doctorate - Fully Insured - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$4,942,614	\$4,161,715	\$1,988,943	\$1,789,569	\$6,931,557	\$5,951,284
Total Claims Exceeding Stop Loss	(\$920,479)	(\$653,308)	\$0	\$0	(\$920,479)	(\$653,308)
Benefit Plan Adjustment	(\$64,254)	(\$54,102)	(\$25,856)	(\$23,264)	(\$90,110)	(\$77,367)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$3,957,881	\$3,453,305	\$1,963,087	\$1,766,305	\$5,920,968	\$5,220,609
Experience Period Lives	15,196	15,110	15,196	15,110		
PSPM Claim Cost	\$260.46	\$228.61	\$129.18	\$116.90	\$389.64	\$345.51
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	33.0	21.0	33.0	21.0	33.0	21.0
Trend Factor	1.1891	1.1165	1.2357	1.1442	1.2045	1.1259
Trended PSPM Claim Cost	\$309.70	\$255.25	\$159.63	\$133.75	\$469.34	\$389.00
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$298.16		\$141.51		\$439.68	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$298.16		\$141.51		\$439.68	
Projected Lives	1,280		1,280		1,280	
Months to Project	12		12		12	
Projected Claim Cost	\$4,579,762		\$2,173,670		\$6,753,432	
Network Changes	(\$22,899)		(\$10,868)		(\$33,767)	
Proposed Benefit Plan Changes	(\$91,595)		(\$43,473)		(\$135,069)	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$4,465,268		\$2,119,328		\$6,584,596	
Administration Fee	\$442,982					
Pooling Charge	\$148,608					
Agent Fee	\$12,182					
PCORI	\$4,301					
Total Projected Fixed Rates	\$608,073					
State Healthcare Fee	\$143,853					
Total Projected Costs – PY’25	\$7,336,523					
Current Equivalent Premium - –PY’4	\$8,101,303					
Estimated Renewal Adjustment	-9.4%					
Fees Outside of BCBSNC						

Self Funded Financial Analysis

Legal, Accounting, Audit	\$0
Actuarial Fee	\$7.200
Adjusted Total Costs PY'25	\$7,343,722

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Post Doctorate - Self Funded - Scenario A - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$4,942,614	\$4,161,715	\$1,988,943	\$1,789,569	\$6,931,557	\$5,951,284
Total Claims Exceeding Stop Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$33,116)	(\$13,942)	(\$13,326)	(\$5,995)	(\$46,441)	(\$19,937)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$4,909,499	\$4,147,773	\$1,975,617	\$1,783,574	\$6,885,116	\$5,931,347
Experience Period Lives	15,196	15,110	15,196	15,110		
PSPM Claim Cost	\$323.08	\$274.51	\$130.01	\$118.04	\$453.09	\$392.54
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	7.0%
Trend Months	33.0	21.0	33.0	21.0	33.0	21.0
Trend Factor	1.1891	1.1165	1.2357	1.1442	1.2025	1.1248
Trended PSPM Claim Cost	\$384.17	\$306.49	\$160.65	\$135.06	\$544.82	\$441.54
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$329.79		\$142.74		\$472.53	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$329.79		\$142.74		\$472.53	
Projected Lives	1,280		1,280		1,280	
Months to Project	12		12		12	
Projected Claim Cost	\$5,065,589		\$2,192,426		\$7,258,014	
Network Changes	(\$25,328)		(\$10,962)		(\$36,290)	
Proposed Benefit Plan Changes	(\$101,312)		(\$43,849)		(\$145,160)	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$4,938,949		\$2,137,615		\$7,076,564	
Administration Fee	\$537,600					
Stop Loss - Specific	\$146,381					
Agent/Consultant Fees	\$38,400					
Legal. Accounting, Audit	\$30,720					
PCORI	\$4,301					
Total Projected Fixed Fees	\$757,402					
State Healthcare Fee	\$0					
Total Projected Costs - PY'25	\$7,833,966					
Current Equivalent Premium- PY'24	\$8,101,303					
Estimated Renewal Adjustment	-3.3%					

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Post Doctorate - Self Funded - Scenario B - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$4,942,614	\$4,161,715	\$1,988,943	\$1,789,569	\$6,931,557	\$5,951,284
Total Claims Exceeding Stop Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$33,116)	(\$13,942)	(\$13,326)	(\$5,995)	(\$46,441)	(\$19,937)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$4,909,499	\$4,147,773	\$1,975,617	\$1,783,574	\$6,885,116	\$5,931,347
Experience Period Lives	15,196	15,110	15,196	15,110		
PSPM Claim Cost	\$323.08	\$274.51	\$130.01	\$118.04	\$453.09	\$392.54
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	7.0%
Trend Months	33.0	21.0	33.0	21.0	33.0	21.0
Trend Factor	1.1891	1.1165	1.2357	1.1442	1.2025	1.1248
Trended PSPM Claim Cost	\$384.17	\$306.49	\$160.65	\$135.06	\$544.82	\$441.54
Large Claim Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PSPM Adjusted Claims	\$329.79		\$142.74		\$472.53	
Period Weighting	1.000		1.000		1.000	
Blended Claim Cost - PSPM	\$329.79		\$142.74		\$472.53	
Claim Fluctuation Margin	1,280		1,280		1,280	
Blended Adjusted Claim Cost - PSPM	12		12		12	
Projected Lives	\$5,065,589		\$2,192,426		\$7,258,014	
Months to Project	(\$25,328)		(\$10,962)		(\$36,290)	
Projected Claim Cost	(\$101,312)		(\$43,849)		(\$145,160)	
Network Changes	\$0		(\$219,243)		(\$219,243)	
Proposed Benefit Plan Changes	\$4,938,949		\$1,918,372		\$6,857,321	
Administration Fee	\$258,662					
Stop Loss - Specific	\$130,560					
Agent/Consultant Fees	\$38,400					
Legal. Accounting, Audit	\$30,720					
PCORI	\$4,301					
Total Projected Fixed Fees	\$462,643					
State Healthcare Fee	\$0					
Total Projected Costs - PY'25	\$7,319,965					
Current Equivalent Premium- PY'24	\$8,101,303					
Estimated Renewal Adjustment	-9.6%					

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Post Doctorate Plan – Alternative Plan

	Fully Insured BCBSNC 8/1/24-7/31/25	Self-Funded Scenario A 8/1/24-7/31/25	Self-Funded Scenario B 8/1/24-7/31/25
PSPM			
Claims	\$428.68	\$460.71	\$446.44
Administration Fee	\$28.84	\$35.00	\$16.84
Pooling Charge/ Stop-Loss Fee	\$9.68	\$9.53	\$8.50
Agent Fee/Consultant Fee	\$0.79	\$2.50	\$2.50
Legal, Accounting, Audit	\$0.00	\$2.00	\$2.00
Actuarial Fee	\$0.47	\$0.00	\$0.00
Student Fee	\$0.00	\$0.00	\$0.00
PCORI	\$0.28	\$0.28	\$0.28
State Healthcare Fee	\$9.37	\$0.00	\$0.00
Subtotal Retention and Fees	\$49.42	\$49.31	\$30.12
Total Expense	\$478.11	\$510.02	\$476.56
Annual Expense			
Claims	\$6,584,596	\$7,076,564	\$6,857,321
Administration Fee	\$442,982	\$537,600	\$258,662
Pooling Charge/ Stop-Loss Fee	\$148,608	\$146,381	\$130,560
Agent Fee/Consultant Fee	\$12,182	\$38,400	\$38,400
Legal, Accounting, Audit	\$0	\$30,720	\$30,720
Actuarial Fee	\$7,200	\$0	\$0
Student Fee	\$0	\$0	\$0
PCORI	\$4,301	\$4,301	\$4,301
State Healthcare Fee	\$143,853	\$0	\$0
Subtotal Retention and Fees	\$759,126	\$757,402	\$462,643
Total Expense	\$7,343,722	\$7,833,966	\$7,319,965
Self-Funded Savings		(\$490,243)	\$23,758

**Savings are subject to claims volatility and assumed fees and are not guaranteed.*

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario A – Alternative Plan

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$218,784	\$436,093	\$526,614	\$572,022	\$642,198	\$583,817	\$586,765	\$645,442	\$619,199	\$648,685	\$619,199	\$648,685	\$6,747,504
Administration Fee	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$537,600
Stop Loss Fee	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$12,198	\$146,381
Consultant Fee	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$38,400
Legal, Accounting, Audit	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$30,720
PCORI	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$4,301
Total Expense	\$281,901	\$499,210	\$589,731	\$635,139	\$705,315	\$646,933	\$649,882	\$708,558	\$682,316	\$711,802	\$682,316	\$711,802	\$7,504,906
Premium Received	\$652,831	\$652,831	\$652,831	\$652,831	\$652,831	\$652,831	\$652,831	\$652,831	\$652,831	\$652,831	\$652,831	\$652,831	\$7,833,966
Monthly Surplus	\$370,930	\$153,620	\$63,099	\$17,691	(\$52,485)	\$5,897	\$2,949	(\$55,728)	(\$29,486)	(\$58,971)	(\$29,486)	(\$58,971)	\$329,060
Cumulative Surplus	\$370,930	\$524,550	\$587,650	\$605,341	\$552,857	\$558,754	\$561,702	\$505,974	\$476,489	\$417,517	\$388,032	\$329,060	
Up Front Funding	\$850,367												
Adjusted Cumulative Surplus	\$1,221,297	\$1,374,917	\$1,438,017	\$1,455,708	\$1,403,224	\$1,409,121	\$1,412,069	\$1,356,341	\$1,326,856	\$1,267,884	\$1,238,399	\$1,179,427	

Initial Capitalization/Year End Reserve

- An initial contribution of \$0.9M will be necessary to ensure adequate cash on hand as the plan year starts and achieve a surplus at the end of the year equivalent to \$1.2M, which is equal to two months of claims. This creates a reserve that is more than adequate to cover incurred but not reported claims (IBNR).

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be (\$2.5M). This is due to very high stop loss fees for the Post Doc population.
- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to (\$2.2M), which reflects a 0.5% to 1.0% reduction in

Self Funded Financial Analysis

claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario B – Alternative Plan

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$212,006	\$422,582	\$510,299	\$554,300	\$622,302	\$565,729	\$568,586	\$625,445	\$600,016	\$628,588	\$600,016	\$628,588	\$6,538,456
Administration Fee	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$21,555	\$258,662
Stop Loss Fee	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$10,880	\$130,560
Consultant Fee	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$38,400
Legal, Accounting, Audit	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$30,720
PCORI	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$358	\$4,301
Total Expense	\$250,559	\$461,136	\$548,853	\$592,854	\$660,855	\$604,283	\$607,140	\$663,998	\$638,569	\$667,141	\$638,569	\$667,141	\$7,001,099
Premium Received	\$609,997	\$609,997	\$609,997	\$609,997	\$609,997	\$609,997	\$609,997	\$609,997	\$609,997	\$609,997	\$609,997	\$609,997	\$7,319,964
Monthly Surplus	\$359,438	\$148,861	\$61,144	\$17,143	(\$50,858)	\$5,714	\$2,857	(\$54,001)	(\$28,572)	(\$57,144)	(\$28,572)	(\$57,144)	\$318,865
Cumulative Surplus	\$359,438	\$508,299	\$569,443	\$586,587	\$535,728	\$541,443	\$544,300	\$490,298	\$461,726	\$404,582	\$376,010	\$318,865	
Up Front Funding	\$824,021												
Adjusted Cumulative Surplus	\$1,183,459	\$1,332,320	\$1,393,465	\$1,410,608	\$1,359,750	\$1,365,464	\$1,368,321	\$1,314,320	\$1,285,748	\$1,228,603	\$1,200,031	\$1,142,887	

Initial Capitalization/Year End Reserve

- An initial contribution of \$0.8M will be necessary to ensure adequate cash on hand as the plan year starts and achieve a surplus at the end of the year equivalent to \$1.1M, which is equal to two months of claims. This creates a reserve that is more than adequate to cover incurred but not reported claims (IBNR).

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be \$0.0M.
- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$0.3M, which reflects a 0.5% to 1.0% reduction in

Self Funded Financial Analysis

claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

University of North Carolina System

Student Health Insurance Plan

Alternative Plan

Proposed Changes

- Reduce health center fee schedule to be equivalent to the BCBSNC fee schedule.
- Increase the out-of-pocket maximum to \$5000/\$10000

Health Center Fee Schedule Change

- BCBSNC provided the allowed claims cost of the Top 20 services provided at your health centers.
- BCBSNC provided the allowed claims cost of the Top 20 services provided at your health centers, but provided through the BCBSNC network.
- The total claims cost at the health centers was 8.0% higher than those in the BCBSNC network.
- The percent of claims from the health centers is approximately 6.0% of total claims.
- The estimated savings, if the fee schedule at the health centers was reduced 8.0%, is 0.5% of total claims.

Benefit Plan Cost Sharing Change

- The current out-of-pocket maximum is \$2100/\$4200.
- The estimate savings of changing the out-of-pocket maximum to \$5000/\$10000 is 2.0%.
- **Scenario A**, referred to as the “Baseline Cost Approach,” involves retaining the current carrier and implementing self-funding for the SHIP program.
- **Scenario B**, referred to as the “Average Cost Approach” represents a conservative strategy for transitioning to self-funding within the SHIP program. The approach focuses on achieving average mid-level savings, emphasizing a conservative financial outlook.
 - To evaluate the feasibility of self-funding in the UNC System, GSH conducted a comprehensive market analysis to assess potential carriers offering self-funding services.
 - This approach encompasses various carriers, ranging from Third-Party Administrators (TPAs) to Stop Loss providers, ensuring a well-rounded assessment of potential avenues for self-funding.

Self Funded Financial Analysis

- A conservative pharmacy discount of 10% has been factored into the calculations. Gallagher's National Pharmacy Practice reviewed the SHIP claims and compared to similar groups to develop the RX savings.
- Self-funding presents the opportunity to achieve greater savings through a competitive procurement process, a key advantage of self-funding for increasing cost efficiencies.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

RA/TA - NC State - Fully Insured - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$5,818,625	\$5,836,758	\$2,109,219	\$2,699,568	\$7,927,844	\$8,536,326
Total Claims Exceeding Stop Loss	\$0	(\$379,065)	\$0	\$0	\$0	(\$379,065)
Benefit Plan Adjustment	(\$38,985)	(\$19,553)	(\$14,132)	(\$9,044)	(\$53,117)	(\$28,597)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$5,779,640	\$5,438,140	\$2,095,087	\$2,690,524	\$7,874,727	\$8,128,664
Experience Period Lives	39,281	40,284	39,281	40,284		
PSPM Claim Cost	\$147.14	\$135.00	\$53.34	\$66.79	\$200.47	\$201.78
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2082	1.1320
Trended PSPM Claim Cost	\$175.88	\$151.52	\$66.33	\$76.91	\$242.21	\$228.43
Large Claim Adjustment	\$0.00	\$13.65	\$0.00	\$0.00	\$0.00	\$13.65
PSPM Adjusted Claims	\$175.88	\$165.17	\$66.33	\$76.91	\$242.21	\$242.08
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$168.38		\$73.74		\$242.12	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$168.38		\$73.74		\$242.12	
Projected Lives	3,275		3,275		3,275	
Months to Project	12		12		12	
Projected Claim Cost	\$6,617,392		\$2,897,835		\$9,515,227	
Network Changes	(\$33,087)		(\$14,489)		(\$47,576)	
Proposed Benefit Plan Changes	(\$132,348)		(\$57,957)		(\$190,305)	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$6,451,957		\$2,825,389		\$9,277,347	
Aministration Fee			\$1,174,942			
Stop Loss - Specific			\$394,160			
Agent/Consultant Fees			\$32,311			
PCORI			\$11,407			
Total Projected Fixed Fees			\$1,612,819			
State Healthcare Fee			\$217,803			
Total Projected Costs - PY'25			\$11,107,969			
Current Equivalent Premium- PY'24			\$10,463,658			
Estimated Renewal Adjustment			6.2%			

Self Funded Financial Analysis

Fees Outside of BCBSNC	
Legal, Accounting, Audit	\$0
Actuarial Fee	\$18,421
Adjusted Total Costs - PY'25	\$11,126,390

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

RA/TA - NC State - Self Funded - Scenario A - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$5,818,625	\$5,836,758	\$2,109,219	\$2,699,568	\$7,927,844	\$8,536,326
Total Claims Exceeding Stop Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$38,985)	(\$19,553)	(\$14,132)	(\$9,044)	(\$53,117)	(\$28,597)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$5,779,640	\$5,817,205	\$2,095,087	\$2,690,524	\$7,874,727	\$8,507,729
Experience Period Lives	39,281	40,284	39,281	40,284		
PSPM Claim Cost	\$147.14	\$144.40	\$53.34	\$66.79	\$200.47	\$211.19
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2082	1.1316
Trended PSPM Claim Cost	\$175.88	\$162.08	\$66.33	\$76.91	\$242.21	\$238.99
Large Claim Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PSPM Adjusted Claims	\$175.88	\$162.08	\$66.33	\$76.91	\$242.21	\$238.99
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$166.22		\$73.74		\$239.95	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$166.22		\$73.74		\$239.95	
Projected Lives	3,275		3,275		3,275	
Months to Project	12		12		12	
Projected Claim Cost	\$6,532,341		\$2,897,835		\$9,430,176	
Network Changes	(\$32,662)		(\$14,489)		(\$47,151)	
Proposed Benefit Plan Changes	(\$130,647)		(\$57,957)		(\$188,604)	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$6,369,032		\$2,825,389		\$9,194,421	
Administration Fee			\$1,344,420			
Stop Loss - Specific			\$264,403			
Agent/Consultant Fees			\$101,850			
Legal, Accounting, Audit			\$81,480			
PCORI			\$11,407			
Total Projected Fixed Fees			\$1,803,560			
State Healthcare Fee			\$0			
Total Projected Costs - PY'25			\$10,997,981			
Current Equivalent Premium- PY'24			\$10,463,658			
Estimated Renewal Adjustment			5.1%			

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

RA/TA - NC State - Self Funded - Scenario B - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$5,818,625	\$5,836,758	\$2,109,219	\$2,699,568	\$7,927,844	\$8,536,326
Total Claims Exceeding Stop Loss	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Adjustment	(\$38,985)	(\$19,553)	(\$14,132)	(\$9,044)	(\$53,117)	(\$28,597)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$5,779,640	\$5,817,205	\$2,095,087	\$2,690,524	\$7,874,727	\$8,507,729
Experience Period Lives	39,281	40,284	39,281	40,284		
PSPM Claim Cost	\$147.14	\$144.40	\$53.34	\$66.79	\$200.47	\$211.19
Annual Trend	6.5%	6.5%	8.0%	8.0%	6.9%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2082	1.1316
Trended PSPM Claim Cost	\$175.88	\$162.08	\$66.33	\$76.91	\$242.21	\$238.99
Large Claim Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PSPM Adjusted Claims	\$175.88	\$162.08	\$66.33	\$76.91	\$242.21	\$238.99
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$166.22		\$73.74		\$239.95	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$166.22		\$73.74		\$239.95	
Projected Lives	3,275		3,275		3,275	
Months to Project	12		12		12	
Projected Claim Cost	\$6,532,341		\$2,897,835		\$9,430,176	
Network Changes	(\$32,662)		(\$14,489)		(\$47,151)	
Proposed Benefit Plan Changes	(\$130,647)		(\$57,957)		(\$188,604)	
Rx Rebate	\$0		(\$289,784)		(\$289,784)	
Revised Projected Claim Cost	\$6,369,032		\$2,535,606		\$8,904,638	
Aministration Fee			\$775,893			
Stop Loss - Specific			\$243,014			
Agent/Consultant Fees			\$101,850			
Legal, Accounting, Audit			\$81,480			
PCORI			\$11,407			
Total Projected Fixed Fees			\$1,213,645			
State Healthcare Fee			\$0			
Total Projected Costs - PY'25			\$10,118,282			
Current Equivalent Premium- PY'24			\$10,463,658			
Estimated Renewal Adjustment			-3.3%			

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

RA/TA - UNC-Chapel Hill - Fully Insured - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$8,530,946	\$9,324,245	\$3,817,810	\$3,890,425	\$12,348,756	\$13,214,669
Total Claims Exceeding Stop Loss	(\$462,593)	(\$992,998)	\$0	\$0	(\$462,593)	(\$992,998)
Benefit Plan Adjustment	(\$57,157)	(\$31,236)	(\$25,579)	(\$13,033)	(\$82,737)	(\$44,269)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$8,011,196	\$8,300,011	\$3,792,230	\$3,877,392	\$11,803,426	\$12,177,402
Experience Period Lives	37,015	37,255	37,015	37,255		
PSPM Claim Cost	\$216.43	\$222.79	\$102.45	\$104.08	\$318.88	\$326.87
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2109	1.1317
Trended PSPM Claim Cost	\$258.71	\$250.05	\$127.41	\$119.85	\$386.12	\$369.90
Large Claim Adjustment	\$6.75	\$29.53	\$0.00	\$0.00	\$6.75	\$29.53
PSPM Adjusted Claims	\$265.46	\$279.58	\$127.41	\$119.85	\$392.88	\$399.43
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$275.35		\$122.12		\$397.46	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$275.35		\$122.12		\$397.46	
Projected Lives	2,859		2,859		2,859	
Months to Project	12		12		12	
Projected Claim Cost	\$9,446,547		\$4,189,627		\$13,636,174	
Network Changes	(\$47,233)		(\$20,948)		(\$68,181)	
Proposed Benefit Plan Changes	(\$188,931)		(\$83,793)		(\$272,723)	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$9,210,384		\$4,084,886		\$13,295,270	
Administration Fee			\$1,026,127			
Stop Loss - Specific			\$344,237			
Agent/Consultant Fees			\$28,218			
PCORI			\$9,958			
Total Projected Fixed Fees			\$1,408,540			
State Healthcare Fee			\$294,076			
Total Projected Costs - PY'25			\$14,997,886			
Current Equivalent Premium- PY'24			\$15,050,685			
Estimated Renewal Adjustment			-0.4%			

Self Funded Financial Analysis

Fees Outside of BCBSNC	
Legal, Accounting, Audit	\$0
Actuarial Fee	\$16,081
Adjusted Total Costs - PY'25	\$15,013,967

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

RA/TA - UNC-Chapel Hill - Self Funded - Scenario A - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$8,530,946	\$9,324,245	\$3,817,810	\$3,890,425	\$12,348,756	\$13,214,669
Total Claims Exceeding Stop Loss	\$0	(\$600,693)	\$0	\$0	\$0	(\$600,693)
Benefit Plan Adjustment	(\$57,157)	(\$31,236)	(\$25,579)	(\$13,033)	(\$82,737)	(\$44,269)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$8,473,789	\$8,692,315	\$3,792,230	\$3,877,392	\$12,266,019	\$12,569,707
Experience Period Lives	37,015	37,255	37,015	37,255		
PSPM Claim Cost	\$228.93	\$233.32	\$102.45	\$104.08	\$331.38	\$337.40
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2103	1.1314
Trended PSPM Claim Cost	\$273.65	\$261.87	\$127.41	\$119.85	\$401.06	\$381.72
Large Claim Adjustment	\$0.00	\$14.76	\$0.00	\$0.00	\$0.00	\$14.76
PSPM Adjusted Claims	\$273.65	\$276.64	\$127.41	\$119.85	\$401.06	\$396.49
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Projected Lives	2,859		2,859		2,859	
Months to Project	12		12		12	
Projected Claim Cost	\$9,460,081		\$4,189,627		\$13,649,708	
Network Changes	(\$47,300)		(\$20,948)		(\$68,249)	
Proposed Benefit Plan Changes	(\$189,202)		(\$83,793)		(\$272,994)	
Rx Rebate	\$0		\$0		\$0	
Revised Projected Claim Cost	\$9,223,579		\$4,084,886		\$13,308,465	
Aministration Fee			\$1,173,648			
Stop Loss - Specific			\$230,817			
Agent/Consultant Fees			\$88,913			
Legal, Accounting, Audit			\$71,130			
PCORI			\$9,958			
Total Projected Fixed Fees			\$1,574,466			
State Healthcare Fee			\$0			
Total Projected Costs - PY'25			\$14,882,932			
Current Equivalent Premium- PY'24			\$15,050,685			
Estimated Renewal Adjustment			-1.1%			

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

RA/TA - UNC-Chapel Hill - Self Funded - Scenario B - Alternative

	Medical		Prescription Drug		Total	
Category	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23	3/21-2/22	3/22-2/23
Paid Claims	\$8,530,946	\$9,324,245	\$3,817,810	\$3,890,425	\$12,348,756	\$13,214,669
Total Claims Exceeding Stop Loss	\$0	(\$600,693)	\$0	\$0	\$0	(\$600,693)
Benefit Plan Adjustment	(\$57,157)	(\$31,236)	(\$25,579)	(\$13,033)	(\$82,737)	(\$44,269)
Demographic Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Paid Claims	\$8,473,789	\$8,692,315	\$3,792,230	\$3,877,392	\$12,266,019	\$12,569,707
Experience Period Lives	37,015	37,255	37,015	37,255		
PSPM Claim Cost	\$228.93	\$233.32	\$102.45	\$104.08	\$331.38	\$337.40
Annual Trend	6.5%	6.5%	8.0%	8.0%	7.0%	7.0%
Trend Months	34.0	22.0	34.0	22.0	34.0	22.0
Trend Factor	1.1953	1.1224	1.2437	1.1515	1.2103	1.1314
Trended PSPM Claim Cost	\$273.65	\$261.87	\$127.41	\$119.85	\$401.06	\$381.72
Large Claim Adjustment	\$0.00	\$14.76	\$0.00	\$0.00	\$0.00	\$14.76
PSPM Adjusted Claims	\$273.65	\$276.64	\$127.41	\$119.85	\$401.06	\$396.49
Period Weighting	30%	70%	30%	70%	30%	70%
Blended Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Claim Fluctuation Margin	1.000		1.000		1.000	
Blended Adjusted Claim Cost - PSPM	\$275.74		\$122.12		\$397.86	
Projected Lives	2,859		2,859		2,859	
Months to Project	12		12		12	
Projected Claim Cost	\$9,460,081		\$4,189,627		\$13,649,708	
Network Changes	(\$47,300)		(\$20,948)		(\$68,249)	
Proposed Benefit Plan Changes	(\$189,202)		(\$83,793)		(\$272,994)	
Rx Rebate	\$0		(\$418,963)		(\$418,963)	
Revised Projected Claim Cost	\$9,223,579		\$3,665,923		\$12,889,503	
Aministration Fee			\$677,337			
Stop Loss - Specific			\$212,146			
Agent/Consultant Fees			\$88,913			
Legal, Accounting, Audit			\$71,130			
PCORI			\$9,958			
Total Projected Fixed Fees			\$1,059,484			
State Healthcare Fee			\$0			
Total Projected Costs - PY'25			\$13,948,987			
Current Equivalent Premium- PY'24			\$15,050,685			
Estimated Renewal Adjustment			-7.3%			

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Research Assistant/Teachers Assistant – Alternative Plan

	Fully Insured BCBSNC 8/1/24-7/31/25	Self-Funded Scenario A 8/1/24-7/31/25	Self-Funded Scenario B 8/1/24-7/31/25
PSPM			
Claims	\$236.06	\$233.95	\$226.58
Administration Fee	\$29.90	\$34.21	\$19.74
Pooling Charge/ Stop-Loss Fee	\$10.03	\$6.73	\$6.18
Agent Fee/Consultant Fee	\$0.82	\$2.59	\$2.59
Legal, Accounting, Audit	\$0.00	\$2.07	\$2.07
Actuarial Fee	\$0.47	\$0.00	\$0.00
Student Fee	\$0.00	\$0.00	\$0.00
PCORI	\$0.29	\$0.29	\$0.29
State Healthcare Fee	\$5.54	\$0.00	\$0.00
Subtotal Retention and Fees	\$47.05	\$45.89	\$30.88
Total Expense	\$283.11	\$279.85	\$257.46
Annual Expense			
Claims	\$9,277,347	\$9,194,421	\$8,904,638
Administration Fee	\$1,174,942	\$1,344,420	\$775,893
Pooling Charge/ Stop-Loss Fee	\$394,160	\$264,403	\$243,014
Agent Fee/Consultant Fee	\$32,311	\$101,850	\$101,850
Legal, Accounting, Audit	\$0	\$81,480	\$81,480
Actuarial Fee	\$18,421	\$0	\$0
Student Fee	\$0	\$0	\$0
PCORI	\$11,407	\$11,407	\$11,407
State Healthcare Fee	\$217,803	\$0	\$0
Subtotal Retention and Fees	\$1,849,043	\$1,803,560	\$1,213,645
Total Expense	\$11,126,390	\$10,997,981	\$10,118,282
Self-Funded Savings		\$128,409	\$1,008,107

**Savings are subject to claims volatility and assumed fees and are not guaranteed.*

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Research Assistant/Teachers Assistant – Alternative Plan

UNC-Chapel Hill	Fully Insured BCBSNC 8/1/24-7/31/25	Self-Funded Scenario A 8/1/24-7/31/25	Self-Funded Scenario B 8/1/24-7/31/25
PSPM			
Claims	\$387.53	\$387.91	\$375.70
Administration Fee	\$29.91	\$34.21	\$19.74
Pooling Charge/ Stop-Loss Fee	\$10.03	\$6.73	\$6.18
Agent Fee/Consultant Fee	\$0.82	\$2.59	\$2.59
Legal, Accounting, Audit	\$0.00	\$2.07	\$2.07
Actuarial Fee	\$0.47	\$0.00	\$0.00
Student Fee	\$0.00	\$0.00	\$0.00
PCORI	\$0.29	\$0.29	\$0.29
State Healthcare Fee	\$8.57	\$0.00	\$0.00
Subtotal Retention and Fees	\$50.10	\$45.89	\$30.88
Total Expense	\$437.62	\$433.80	\$406.58
Annual Expense			
Claims	\$13,295,270	\$13,308,465	\$12,889,503
Administration Fee	\$1,026,127	\$1,173,648	\$677,337
Pooling Charge/ Stop-Loss Fee	\$344,237	\$230,817	\$212,146
Agent Fee/Consultant Fee	\$28,218	\$88,913	\$88,913
Legal, Accounting, Audit	\$0	\$71,130	\$71,130
Actuarial Fee	\$16,081	\$0	\$0
Student Fee	\$0	\$0	\$0
PCORI	\$9,958	\$9,958	\$9,958
State Healthcare Fee	\$294,076	\$0	\$0
Subtotal Retention and Fees	\$1,718,698	\$1,574,466	\$1,059,484
Total Expense	\$15,013,967	\$14,882,932	\$13,948,987
Self-Funded Savings		\$131,036	\$1,064,981

**Savings are subject to claims volatility and assumed fees and are not guaranteed.*

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario A – Alternative Plan

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$695,714	\$1,386,740	\$1,674,590	\$1,818,983	\$2,042,137	\$1,856,488	\$1,865,864	\$2,052,451	\$1,969,003	\$2,062,765	\$1,969,003	\$2,062,765	\$21,456,503
Administration Fee	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$209,839	\$2,518,068
Stop Loss Fee	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$41,268	\$495,220
Consultant Fee	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$190,763
Legal, Accounting, Audit	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$152,610
PCORI	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$21,365
Total Expense	\$977,216	\$1,668,243	\$1,956,092	\$2,100,486	\$2,323,639	\$2,137,990	\$2,147,367	\$2,333,953	\$2,250,505	\$2,344,267	\$2,250,505	\$2,344,267	\$24,834,529
Premium Received	\$2,156,743	\$2,156,743	\$2,156,743	\$2,156,743	\$2,156,743	\$2,156,743	\$2,156,743	\$2,156,743	\$2,156,743	\$2,156,743	\$2,156,743	\$2,156,743	\$25,880,913
Monthly Surplus	\$1,179,526	\$488,500	\$200,651	\$56,257	(\$166,896)	\$18,752	\$9,376	(\$177,210)	(\$93,762)	(\$187,524)	(\$93,762)	(\$187,524)	\$1,046,384
Cumulative Surplus	\$1,179,526	\$1,668,026	\$1,868,677	\$1,924,934	\$1,758,038	\$1,776,790	\$1,786,167	\$1,608,956	\$1,515,194	\$1,327,670	\$1,233,908	\$1,046,384	
Up Front Funding	\$2,704,097												
Adjusted Cumulative Surplus	\$3,883,623	\$4,372,123	\$4,572,774	\$4,629,031	\$4,462,135	\$4,480,887	\$4,490,264	\$4,313,053	\$4,219,291	\$4,031,767	\$3,938,005	\$3,750,481	

Initial Capitalization/Year End Reserve

- An initial contribution of \$2.7M will be necessary to ensure adequate cash on hand as the plan year starts and achieve a surplus at the end of the year equivalent to \$3.8M, which is equal to two months of claims. This creates a reserve that is more than adequate to cover incurred but not reported claims (IBNR).

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be \$1.4M.
- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$2.0M, which reflects a 0.5% to 1.0% reduction in

Self Funded Financial Analysis

claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

Self Funded Financial Analysis

University of North Carolina System Student Health Insurance Plan

Cash Flow Analysis – Scenario B – Alternative Plan

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	FY'25
Claims Paid (No Run-In)	\$673,802	\$1,343,064	\$1,621,847	\$1,761,693	\$1,977,818	\$1,798,017	\$1,807,097	\$1,987,807	\$1,906,987	\$1,997,796	\$1,906,987	\$1,997,796	\$20,780,713
Administration Fee	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$121,103	\$1,453,230
Stop Loss Fee	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$37,930	\$455,160
Consultant Fee	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$15,897	\$190,763
Legal, Accounting, Audit	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$12,718	\$152,610
PCORI	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$1,780	\$21,365
Total Expense	\$863,230	\$1,532,491	\$1,811,275	\$1,951,120	\$2,167,246	\$1,987,444	\$1,996,525	\$2,177,235	\$2,096,415	\$2,187,224	\$2,096,415	\$2,187,224	\$23,053,841
Premium Received	\$2,005,606	\$2,005,606	\$2,005,606	\$2,005,606	\$2,005,606	\$2,005,606	\$2,005,606	\$2,005,606	\$2,005,606	\$2,005,606	\$2,005,606	\$2,005,606	\$24,067,269
Monthly Surplus	\$1,142,376	\$473,114	\$194,331	\$54,485	(\$161,640)	\$18,162	\$9,081	(\$171,629)	(\$90,809)	(\$181,618)	(\$90,809)	(\$181,618)	\$1,013,428
Cumulative Surplus	\$1,142,376	\$1,615,491	\$1,809,822	\$1,864,307	\$1,702,667	\$1,720,829	\$1,729,910	\$1,558,281	\$1,467,472	\$1,285,854	\$1,195,045	\$1,013,428	
Up Front Funding	\$2,618,929												
Adjusted Cumulative Surplus	\$3,761,305	\$4,234,420	\$4,428,751	\$4,483,236	\$4,321,596	\$4,339,758	\$4,348,839	\$4,177,210	\$4,086,401	\$3,904,784	\$3,813,975	\$3,632,357	

Initial Capitalization/Year End Reserve

- An initial contribution of \$2.6M will be necessary to ensure adequate cash on hand as the plan year starts and achieve a surplus at the end of the year equivalent to \$3.6M, which is equal to two months of claims. This creates a reserve that is more than adequate to cover incurred but not reported claims (IBNR).

Five Year Savings Projection

- The savings over five years, assuming there are minimal participation changes from FY'25, is projected to be \$10.5M.
- It is our experience that self funded consortiums can increase savings over time as a result of immediate and complete recognition of program savings. As a result, we believe that the five year savings could actually be closer to \$13.5M, which reflects a 0.5% to 1.0% reduction in

Self Funded Financial Analysis

claims trend. This is a conservative trend savings because you are technically a consortium already, but going self funded will enhance your ability to recognize claims reductions over time.

Testimonials

Testimonials

East Carolina University	<i>Incredible staff throughout the entire facility. As I am going through a medical situation, they are all so kind and truly want the best for their students. Everyone is so caring and are genuinely great people. I can't thank them enough.</i>	- Student
	<i>I have never had a bad experience at student health. All the staff — from the receptionists, RNs, NPs, lab technicians, pharmacists and MDs — are nothing but the best. I had to complete health requirements for nursing school here at ECU and they made the process so easy! Thank you for all that you do!</i>	- Student
	<i>My daughter needed wound care after surgery, and I went with her for the first few times. THESE people are amazing. They referred her to the wound clinic, which was a life saver, and they continued to follow her for her daily wound dressings. Everyone has been both kind and competent. The scheduling is easy, and the service is brisk. Overall, we have been thrilled with the service here.</i>	- Parent
	<i>I have had several procedures performed here and never had a bad experience. The front desk and appointment staff are very nice and helpful.</i>	- Student
	<i>As a student I don't know what I'd do without this place.</i>	- Student
UNC Charlotte	<i>The doctor I saw was the most comforting doctor I have ever been to. She didn't seem in a rush at any point, and it truly felt like she cared about what I was visiting for. She is an embodiment of how every doctor should be!</i>	- Student
	<i>Dr. Solomom is absolutely amazing and one of the best providers I know. Students need someone like her!</i>	- Student
Western Carolina University	<i>You were everything I could have hoped for in that situation (a mom miles away from their kid having a scary medical moment). I appreciate you and the care you give the students at Western Carolina University.</i>	- Parent

Testimonials

North Carolina State University

NC State University

May Kudos!

From Patient Satisfaction Survey

I particularly want to thank Dr. C. Masere! He's a great doctor with high level of expertise and amazing kind personality.

Staff was friendly and helpful.

-Patient seen in Lab/X-ray

I love Dr. Hinton! She is always extremely friendly and empathetic. I always feel like she really hears me and my concerns, and truly cares about my health and wellbeing.

Everyone was friendly, cheerful and communicated efficiently and effectively. The staff are also personable, and I feel like and individual and not just a patient when I come in for my medical visits. I really appreciate that!

-Patient seen in primary care

I was really pleased with how quickly I was able to get the testing done at campus health. I was only there for 20 minutes, then was able to return to my work.

-Patient seen in Lab/X-ray

I particularly want to thank Dr. C. Masere! He's a great doctor with high level of expertise and amazing kind personality.

Staff was friendly and helpful.

-Patient seen in Lab/X-ray

I would like to thank you my providers Tara and nurse Jamie for attention and care.

You provide proper feedback and everything.

-Patient seen in Primary Care

Lindsay was very friendly and helpful! No points of Improvement!

-Patient seen in Nutrition Counseling

Everything went well and was clear and easy to understand Thank you.

-Patient seen in Treatment

Great service!

-Patient seen in Lab/X-ray

Dr. Bowen-Pasfield is very empathetic and has been wonderful with my care.

The best blood draw that I have ever had! I get very nervous because I pass out usually and I bruise easy so usually leaves my arms and bruises. I have no bruise and did not pass out. Had the best experience ever.

-Patient seen in Lab/X-ray

All of my concerns were heard and answered very patiently.

-Patient seen in GYN Services

The nurses were very kind and friendly and answered all my questions. I would like to thank them very much for their help and support!

-Patient seen at Centennial

They were very nice and made me feel safe despite how scary the procedure was.

-Patient seen at GYN services

Kelly Pflaum is a really lovely person! She made me feel heard and understood.

Great

I was a trans guy getting gynecology services and the staff respected my pronouns and preferred name without missing a beat, thank you.

-Patient seen at GYN Services

Very nice and honest staff.

-Patient seen in Primary Care

-Patient seen in Nutrition Counseling

About the Team



Jean Russell

Vice President, Student Health Insurance

Education/Credentials

- Bachelor of Science, Rutgers University
- Licensed Insurance Advisor – Accident & Health
- Licensed Insurance Producer – Accident & Health
- Advanced Self-Funded Certification
- Patient Protection and Affordable Care Act (PPACA) Certification
- LeadBoston Graduate (Diversity, Equity and Inclusion)

Professional Experience

- Gallagher Student Health & Special Risk
- HUB International, Senior Vice President
- Employee Benefits New England (2016-2021)
- BenefitsMart, LLC, Founder and President (1993-2016)

Jean has brought her invaluable expertise to Gallagher Student Health and Special Risk as a Vice President, Student Health. In this pivotal role, she collaborates with existing and potential higher education clients nationwide, ensuring the proactive and efficient management of all aspects of their program. Jean excels in cultivating robust partnerships with insurance underwriters, claims administrators and other essential vendors within the practice to advocate objectively for her clients. Leveraging her extensive knowledge and experience, Jean possesses a remarkable capability to devise innovative strategic solutions within the complex insurance landscape. Moreover, she plays a pivotal role in shaping solutions for the intricate challenges faced by Student Health Centers.

Before joining Gallagher, Jean worked for more than 30 years in the employee benefits industry, holding various positions. Jean's experience included founding BenefitsMart, an insurance brokerage and consulting firm advising in Employee Benefits and all aspects of group insurance administration, compliance, cost containment strategies and technology. BenefitsMart was acquired by HUB International; Jean served as Senior Vice President, Employee Benefits, of HUB International, the world's fifth largest insurance brokerage and the largest in New England.

Jean graduated from Rutgers University with a Bachelor of Science degree. Additionally, Jean has served on many boards and committees on Healthcare Cost Containment. Jean is an active member and former President of the Massachusetts Association of Health Underwriters — a member of the National Association of Health Underwriters. She currently serves as a Board of Trustee for Tufts Medical Center Physicians organization and a member of the Governors Board for Tufts as well as board member of Project Citizenship. Jean is a recipient of the YWCA of Boston's Academy of Women Achievers, an award recognizing Boston's most influential women.

About the Team



Robert Jordan

Senior Healthcare Actuary

Education/Credentials

- Bachelor of Science, Mathematics Northeastern University
- Associate of the Society of Actuaries (ASA)
- Member of the American Academy of Actuaries (MAAA)
- Fellow in the Conference of Consulting Actuaries (FCA)
- Qualified Actuary: Life and Health Qualification Seminar

Professional Experience

- Chief Actuary with Financial Responsibilities, Blue Advantage, BCBSAZ (2013-2014)
- Chief Actuary, Neighborhood Health Plan (2007-2013)
- Consulting Actuary, Hewitt Associates (2006-2007)
- Director of Actuarial Services, Tufts Health Plan (1999- 2006)
- Director of Actuarial Services, Harvard Pilgrim Health Care (1992-1998)
- Actuary, John Hancock Mutual Life Insurance Company (1988-1992)
- Actuary, William M. Mercer, Inc. (1985-1988)

Bob is a Senior Healthcare Actuary with Healthcare Analytics, a division of Gallagher Benefit Services, Inc. He has 30 years of varied experience in the actuarial field, with close to 25 years of that spent in the healthcare industry. Bob joined the Gallagher family of companies in September 2014.

Bob's primary responsibilities with Healthcare Analytics include providing informed strategies and analytics for the benefit plans of plan sponsors. This includes but is not limited to rate setting, reserve setting, benefit design and financial management. Before joining Gallagher, Bob held various management positions in consulting companies, health maintenance organizations and the insurance industry. He has extensive experience with all lines of business in the managed care arena and more than 20 years working with federal and state regulatory authorities. He also served on several healthcare reform panels and committees with the Society of Actuaries.

About the Team



Jeffrey Montgomery

Senior Consulting Analyst

Education/Credentials

- Licensed Insurance Producer – Accident & Health

Professional Experience

- Senior Implementation Manager, Aetna Student Health (2008-2018)
- Senior Account Representative, Aetna Student Health (2005-2008)
- Customer Service Representative (2003-2005)
- Benefits Specialist, Liberty Mutual Group (2000-2002)

Jeff joined the Gallagher Student Health Consulting Team in 2018 to provide additional resources to our clients. He brings 20 years of experience in the insurance industry, with more than 15 years in student health insurance.

Jeff's primary responsibilities with Gallagher Student Health and Special Risk include in-depth legislative research, largely concerning Centers for Medicare and Medicaid Services (CMS) and state Department of Insurance (DOI) filings. He is also responsible for comprehensive plan analysis and benchmarking and ongoing account management and consulting team support.

Disclaimer

The information and advice provided through our consultancy services are based on our best knowledge and expertise as of the time of engagement. However, it's important to acknowledge that circumstances, regulations and external factors can change over time. Therefore, and except as otherwise provided in the Contract between the State of North Carolina, University of North Carolina and Arthur J. Gallagher Risk Management Services LLC. Therefore:

1. **No Guarantees:** We do not guarantee the accuracy, completeness or reliability of any information, recommendations or strategies provided. Our guidance should be considered as suggestions for informed decision-making rather than absolute solutions.
2. **Professional Evaluation:** Our consultancy services are not a substitute for professional legal, financial or other specialized advice. We recommend seeking additional expert opinions when making significant decisions.
3. **Limited Scope:** Our consultancy services are focused on the specific areas and topics agreed upon. Any information provided beyond this scope might not be exhaustive or up-to-date.
4. **Liability Limitation:** We shall not be liable for any direct, indirect, incidental, consequential or special damages arising from the use or reliance upon the information, advice or recommendations provided during our consulting work.
5. **Individual Context:** Our recommendations are based on general principles and may not address the unique circumstances of every situation. It's essential to consider your specific context and consult with relevant professionals before taking action.
6. **External Factors:** Changes in laws, regulations, market conditions or other external factors can impact the applicability of our advice. We recommend regularly reviewing the advice in light of changing circumstances.
7. **Confidentiality:** While we make efforts to maintain the confidentiality of the information shared during consultancy, we cannot guarantee the security of electronic communication. Please exercise caution when sharing sensitive information.

Glossary of Terms

Actuarial Value or AV: The Affordable Care Act (ACA) requires health insurance plans to meet certain actuarial value (AV) standards. AV is the percentage of total healthcare costs that a health insurance plan is expected to cover.

Actuarial Value Levels:

- **Bronze:** These plans have an actuarial value of approximately 60%. This means they are expected to cover about 60% of the total healthcare costs for the standard population.
- **Silver:** Silver plans have an actuarial value of around 70%. They cover approximately 70% of the total healthcare costs.
- **Gold:** Gold plans offer an actuarial value of about 80%. They are designed to cover approximately 80% of the total healthcare costs.
- **Platinum:** Platinum plans have the highest actuarial value, around 90%. They cover approximately 90% of the total healthcare costs.

Adverse selection: Adverse selection in insurance refers to a situation where individuals or entities with a higher risk of making claims are more likely to purchase or maintain insurance coverage, while those with lower risks may choose not to participate or drop their coverage. This can lead to imbalances within the insurance pool, where the insured population is disproportionately made up of higher-risk individuals.

Affordable Care Act (ACA): The comprehensive health care reform law enacted in March 2010. The law was enacted in two parts: The Patient Protection and Affordable Care Act was signed into law on March 23, 2010, and was amended by the Health Care and Education Reconciliation Act on March 30, 2010. The name “Affordable Care Act” is used to refer to the final, amended version of the law.

ASO: Administrative Services Only

AWP: Average Wholesale Price

BCBSNC: Blue Cross Blue Shield of North Carolina

Claims: Claims are typically generated when a policyholder (patient) receives medical services, treatment, or prescription medications. The healthcare provider (e.g., doctor's office, hospital, pharmacy) submits a claim to the insurance company for payment.

COBRA: Consolidated Omnibus Budget Reconciliation Act, passed by the United States Congress and signed into law by President Ronald Reagan on April 7, 1986. It is a federal law in the United States that provides certain individuals and their families with the option to continue their group health insurance coverage, typically provided by their employer, for a limited period of time after certain qualifying events would normally result in the loss of that coverage.

Glossary of Terms

Coinsurance: Percentage of costs that a policyholder is required to pay for covered services or losses, while the insurance company covers the remaining percentage.

Consortium: A collaborative arrangement or partnership formed by multiple organizations, institutions, or entities to achieve common goals, share resources, and work collectively on specific projects or initiatives. Consortia are often established to leverage the combined strengths, expertise, and resources of participating members to address complex challenges or pursue mutual interests.

Copayment (Copay): Fixed amount of money that a policyholder or insured individual is required to pay for certain covered services or prescription drugs as part of their health insurance plan.

Deductible: A specified amount of money that a policyholder or insured individual must pay out of their own pocket before their insurance policy begins to cover eligible expenses.

Fully Insured: A type of insurance arrangement where an individual pays a premium to an insurance company, and in return, the insurance company assumes full responsibility for covering eligible claims and losses. This means that the insurance company bears the financial risk associated with the insurance policy and is responsible for paying out claims up to the policy's coverage limits.

GSH: Gallagher Student Health and Special Risk

Incurred but not Reported or IBNR: IBNR refers to insurance claims that have occurred but have not yet been reported or filed by policyholders or beneficiaries.

Metal Tier Categories: ACA-compliant health insurance plans are categorized into four "metal tiers" — Bronze, Silver, Gold, and Platinum. Each tier represents a different actuarial value.

MLR or Medical Loss Ratio: A financial metric used in the health insurance industry to measure the percentage of premium revenue that an insurance company spends on medical claims and healthcare services.

Total Out-of-Pocket or Out of Pocket: A maximum total amount that an individual or family will have to pay for covered healthcare expenses within a specific period/plan year. Once this limit is reached, the insurance plan typically covers all eligible healthcare costs at 100%. The out-of-pocket maximum includes deductibles, copayments and coinsurance.

PBM: Pharmacy Benefit Manager. A Pharmacy Benefit Manager is a third-party entity that specializes in managing and administering prescription drug benefits for health insurance plans, employers, and other organizations that provide prescription drug coverage to their members or employees.

PSPM: Per Student Per Month.

PSPY: Per Student Per Year.

Premium: The amount of money an individual or entity pays to an insurance company or insurer in exchange for insurance coverage.

Risk Pool: A mechanism or arrangement where a group of individuals or entities come together to share and spread the financial risk associated with potential losses or claims. Risk pooling helps

Glossary of Terms

mitigate the financial impact of unexpected events by distributing the burden of losses among the pool participants.

Self-Funded or Self Insured: An insurance arrangement in which an organization assumes the financial responsibility for its enrolled member's healthcare expenses instead of purchasing a fully insured health insurance plan from an insurance company. In a self-funded plan, an organization directly pays for the covered healthcare costs of its enrolled members, as opposed to paying premiums to an insurance company.

SHC: Student Health Center.

SHIP: Student Health Insurance Plan.

SHIBP: Student Health Insurance Benefit Plan.

Stop-Loss: An insurance coverage commonly used in self-funded or self-insured healthcare plans. Stop-loss insurance provides financial protection to an organization that self-funds its healthcare plan, helping to limit their potential financial exposure in the event of high or catastrophic healthcare claims. In a context, stop-loss coverage, below are some coverage period options:

12/12 the first number, "12," represents the "12-month contract period" or the "policy period." This means that the stop-loss insurance policy covers healthcare claims incurred during the policy year.

12/24 The second number, "24," represents the "claim run-out period" or the "claim submission period." In this case, it indicates that the stop-loss insurance policy allows for claims to be submitted and considered for reimbursement for up to 24 months after the end of the 12-month contract

Below are additional coverage period options:

- 12/18
- 24/12
- 18/12

Third-Party Billing/3rd Party Billing: A process in which a healthcare provider or medical facility submits claims and bills for healthcare services provided to patients to a third-party payer, typically an insurance company or government healthcare program.

TPA: Third-Party Administrator, a company or entity that provides insurance administrative services to another organization

Reference Information



Department of Insurance Agent of Record Letter



DEPARTMENT OF INSURANCE

State of North Carolina

1201 MAIL SERVICE CENTER
RALEIGH, NC 27699-1201

JIM LONG
COMMISSIONER OF INSURANCE

(919) 733-3058

April 26, 2006

VIA FAX AND U.S. MAIL

North Carolina Association of Insurance Agents, Inc.
P.O. Box 1165
101 Weston Oaks Court
Cary, NC 27512

Re: Agent of Record for the State of North Carolina

To Whom It May Concern:

This letter is to advise any interested parties that the *North Carolina Association of Insurance Agents* (hereinafter, NCAIA) is recognized as **Agent of Record** and has authority to quote, secure, and bind policies of property, liability, casualty, accident and health insurance for the State of North Carolina and its related agencies. This authority includes - but is certainly not limited to - athletic accident and student health insurance.

Moreover, this letter is neither new nor a change from long-standing authority held by NCAIA - authority which has its origins by statute in 1951. See N.C. Gen. Stat. § 58-31-55. In fact, this letter merely re-states and incorporates by reference that statute and those letters dated January 30, 1989 and January 18, 1991, signed by then-Senior Deputy Commissioner Dascheil Propes of the North Carolina Department of Insurance.

As a reminder, the NCAIA may serve only the State and, therefore, may neither market nor procure insurance for private parties. Conversely, based upon these statutory delegations, the State and its related agencies are prohibited from obtaining any of its insurance needs directly from an insurance company without placing the requirement through the Department of Insurance Risk Management Division, unless otherwise specifically authorized by statute.

This authority shall remain in effect until formally changed in writing by either the Commissioner of Insurance or his lawful designee.

With kindest regards, I am

Very truly yours,

A handwritten signature in cursive script that reads "Jim Long".

JIM LONG
North Carolina Commissioner of Insurance

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Department of Insurance Agent of Record Letter

Title 11 of the N.C. Administrative Code, Chapter 7:

CHAPTER 7

STATE PROPERTY FIRE INSURANCE FUND DIVISION

SECTION .0100 - GENERAL PROVISIONS

.0101 DEFINITIONS

.0102 PURPOSE OF DIVISION (REPEALED)

.0103 DEPUTY COMMISSIONER (REPEALED)

.0104 DIVISION PERSONNEL (REPEALED)

.0105 BILLING

.0106 REPORT AND PROOF OF LOSS FORM

SECTION .0200 - PLAN APPROVAL FOR STATE BUILDINGS

.0201 PLAN REVIEW

.0202 SUBMISSION OF PLANS (REPEALED)

.0203 CORRECTION OF PLANS (REPEALED)

SECTION .0300 - STATE PROPERTY FIRE INSURANCE FUND

.0301 STATE PROPERTY FIRE INSURANCE FUND: PURPOSE AND FUNDING (REPEALED)

.0302 REINSURANCE (REPEALED)

.0303 LOSS ADJUSTMENT

.0304 INSURANCE PLACEMENT OTHER THAN UNDER THE FUND

.0305 REVALUATION OF PROPERTY

.0306 INSPECTION OF STATE-OWNED BUILDINGS

CHAPTER 7 - STATE PROPERTY FIRE INSURANCE FUND DIVISION

SECTION .0100 - GENERAL PROVISIONS

.0101 DEFINITIONS

The following definitions shall apply for this division:

(1)"Agent of Record" shall mean that insurance agent or agents authorized to represent the North Carolina Department of Insurance in procurement of insurance for North Carolina agencies.

(2)"Self-liquidating buildings" shall mean buildings using their own revenues to retire their obligations.

(3)"Special Fund Agencies" shall mean departments or agencies that receive their operating revenue from sources other than the general fund.

History Note: Statutory Authority G.S. 58-9; 58-191;

Eff. February 1, 1976;

Readopted Eff. May 12, 1978;

Amended Eff. October 1, 1988.

.0102 PURPOSE OF DIVISION

.0103 DEPUTY COMMISSIONER

.0104 DIVISION PERSONNEL

History Note: Statutory Authority G.S. 58-7.3; 58-9; 58-189 through 58-194;

Eff. February 1, 1976;

Department of Insurance Agent of Record Letter

Readopted Eff. May 12, 1978;

Repealed Eff. July 1, 1988.

.0105 BILLING

A charge will be made by the State Property Fire Insurance Fund for fire coverage provided to special fund agencies, self-liquidating buildings, special fund buildings, and buildings utilizing funds from revenue-producing endeavors connected therewith, for operation or maintenance.

Rates for said coverages shall be fixed by the Commissioner of Insurance.

Charges will be levied to agencies for requested extended coverage, sprinkler leakage, business interruption, or other property insurance. All checks must be made payable to the North Carolina Department of Insurance. Rates for said coverages shall be fixed by the Commissioner of Insurance.

History Note: Statutory Authority G.S. 58-9; 58-190; 58-191.1; 58-191.2; S.L. 1975, Ch. 875;

Eff. February 1, 1976;

Readopted Eff. May 12, 1978;

Amended Eff. October 1, 1988.

.0106 REPORT AND PROOF OF LOSS FORM

All forms for submission of loss claims and other forms necessary for daily operation of the division in fulfilling its purpose shall be supplied by the division. The form entitled "Report and Proof of Loss Form" shall require the claimant to provide information including, but not limited to, the name of the department or agency, division, building name, location, date of loss, description of loss, amount requested to repair building and supporting information to aid the division in making a recommendation for amount of payment to the Council of State.

History Note: Statutory Authority G.S. S.L. 1975, Ch. 875;

Eff. February 1, 1976;

Readopted Eff. May 12, 1978.

SECTION .0200 - PLAN APPROVAL FOR STATE BUILDINGS

.0201 PLAN REVIEW

All plans and specifications for new state-owned buildings and renovations and additions to existing buildings shall be submitted to the State Property Fire Insurance Fund Division. The division shall determine whether the plans and specifications are in compliance with the minimum requirements of the North Carolina Building Code and Standard Fire Codes. In addition, greater than minimum requirements may be required in order to better assure protection for buildings and safety of occupants, as well as to meet underwriting standards for insurability. The Division shall inform the designer of code violations and deficiencies and any corrections that may be necessary. Upon final approval of the plans and specifications by the division, letters of approval shall be sent to the designer and to the Office of State Construction in the Department of Administration.

History Note: Statutory Authority G.S. 58-193;

Eff. February 1, 1976;

Readopted Eff. May 12, 1978;

Amended Eff. October 1, 1988.

.0202 SUBMISSION OF PLANS

.0203 CORRECTION OF PLANS

History Note: Statutory Authority G.S. 58-193;

Department of Insurance Agent of Record Letter

Eff. February 1, 1976;
Readopted Eff. May 12, 1978;
Repealed Eff. October 1, 1988.

SECTION .0300 - STATE PROPERTY FIRE INSURANCE FUND

.0301 STATE PROPERTY FIRE INSURANCE FUND: PURPOSE AND FUNDING

.0302 REINSURANCE

History Note: Statutory Authority G.S. 58-189 to 58-191.2; S.L. 1975, Ch. 875;

Eff. February 1, 1976;
Readopted Eff. May 12, 1978;
Repealed Eff. October 1, 1988.

.0303 LOSS ADJUSTMENT

The staff of the state property division shall investigate all losses reported to the department. The Commissioner of Insurance shall make recommendations to the Governor and Council of State for any loss.

The claimant shall submit a "Report and Proof of Loss Form" in accordance with division procedures. Said form must be signed by an authorized representative of the agency and include data in support of the claim.

History Note: Statutory Authority G.S. 58-191; 58-191.1; 58-191.2;

Eff. February 1, 1976;
Readopted Eff. May 12, 1978;
Amended Eff. October 1, 1988.

.0304 INSURANCE PLACEMENT OTHER THAN UNDER THE FUND

Insurance coverage which is requested by agencies, but which is not available under the State Property Fire Insurance Fund, is placed by the division through the Agent of Record. The Agent of Record shall acquire coverage from companies authorized to do business in North Carolina.

History Note: Statutory Authority G.S. 58-194; 58-194.1; S.L. 1975, Ch. 875;

Eff. February 1, 1976;
Readopted Eff. May 12, 1978;
Amended Eff. October 1, 1988.

.0305 REVALUATION OF PROPERTY

In the revaluation of property, the division shall use recognized standards and methods for computing replacement costs of real and personal property. Such methods may include, but are not limited to, factors of inflation and current construction indices.

History Note: Statutory Authority G.S. 58-191; 58-191.1; 58-191.2;

Eff. February 1, 1976;
Readopted Eff. May 12, 1978;
Amended Eff. October 1, 1988.

.0306 INSPECTION OF STATE-OWNED BUILDINGS

To insure the safety of the buildings and occupants therein, on-site inspections of state-owned buildings are made as required by statute to determine property conditions.

Upon completion of its inspection and evaluation of fire and other safety hazards, the division will report, verbally or in writing or both to the authority in charge of the agency, institution or department. Said authority is responsible for correction of any deficiencies which may have been found by the division in accordance with the applicable General Statutes.

Department of Insurance Agent of Record Letter

History Note: Statutory Authority G.S. 58-193;
Eff. February 1, 1976;
Readopted Eff. May 12, 1978;
Amended Eff. October 1, 1988.

Reference Information

Student Health Center Claims

UNC Systems Multiple Group Id's Claims Summary

Claims incurred from 8/1/2020 to 7/31/2023 and paid through 8/7/2023

Group Name	Student Health Center	Reporting Period	Type of Service Description	Visits	Claimants	Total Paid Amount
Appalachian State University	Appalachian State University	08/01/20-7/31/2021	Office Professional	1,270	571	\$149,774.33
Appalachian State University	Appalachian State University	08/01/21-7/31/2022	Office Professional	1,612	689	\$212,627.90
Appalachian State University	Appalachian State University	08/01/22-7/31/2023	Office Professional	1,898	762	\$283,250.05
East Carolina University	ECU Student Health Service	08/01/20-7/31/2021	Ancillary	3	3	\$6.90
East Carolina University	UNC Greensboro Student Health Services	08/01/20-7/31/2021	Office Professional	1	1	\$58.00
East Carolina University	ECU Student Health Service	08/01/20-7/31/2021	Office Professional	3,714	1,086	\$443,371.41
East Carolina University	Campus Health Services	08/01/21-7/31/2022	Office Professional	1	1	\$114.00
East Carolina University	ECU Student Health Service	08/01/21-7/31/2022	Office Professional	2,383	1,180	\$256,682.41
East Carolina University	ECU Student Health Service	08/01/21-7/31/2022	Ancillary	1	1	\$4.55
East Carolina University	ECU Student Health Service	08/01/22-7/31/2023	Ancillary	4	4	\$13.12
East Carolina University	ECU Student Health Service	08/01/22-7/31/2023	Office Professional	2,092	1,061	\$226,756.76
ECU Postdoctoral Plan	ECU Student Health Service	08/01/20-7/31/2021	Office Professional	10	8	\$820.16
ECU Postdoctoral Plan	ECU Student Health Service	08/01/21-7/31/2022	Office Professional	4	3	\$481.84
ECU Postdoctoral Plan	ECU Student Health Service	08/01/22-7/31/2023	Office Professional	10	6	\$716.00
Elizabeth City State University	Elizabeth City State University Student	08/01/20-7/31/2021	Office Professional	12	11	\$693.00
Elizabeth City State University	Elizabeth City State University Student	08/01/21-7/31/2022	Office Professional	48	42	\$3,388.00
Elizabeth City State University	Elizabeth City State University Student	08/01/22-7/31/2023	Office Professional	124	75	\$9,896.00
Fayetteville State University	Fayetteville State University	08/01/21-7/31/2022	Office Professional	209	145	\$17,513.66
Fayetteville State University	Fayetteville State University	08/01/22-7/31/2023	Office Professional	6	3	\$523.46
NC Agricultural & Technical State University	N.C. A&T State Student Health Center	08/01/20-7/31/2021	Office Professional	2,563	784	\$465,355.87
NC Agricultural & Technical State University	N.C. A&T State Student Health Center	08/01/20-7/31/2021	Ancillary	13	13	\$418.00
NC Agricultural & Technical State University	N.C. A&T State Student Health Center	08/01/21-7/31/2022	Office Professional	2,787	1,048	\$603,084.84
NC Agricultural & Technical State University	N.C. A&T State Student Health Center	08/01/21-7/31/2022	Ancillary	25	25	\$866.73
NC Agricultural & Technical State University	N.C. A&T State Student Health Center	08/01/22-7/31/2023	Office Professional	3,783	1,206	\$753,403.23
NC Agricultural & Technical State University	N.C. A&T State Student Health Center	08/01/22-7/31/2023	Ancillary	37	34	\$1,607.00
NC State Postdoctoral Plan	NC State University	08/01/20-7/31/2021	Telehealth	79	20	\$5,155.60
NC State Postdoctoral Plan	NC State University	08/01/20-7/31/2021	Ancillary	11	8	\$362.00

Reference Information

NC State Postdoctoral Plan	NC State University	08/01/20-7/31/2021	Office Professional	632	230	\$84,049.41
NC State Postdoctoral Plan	NC State University	08/01/21-7/31/2022	Telehealth	59	12	\$3,540.00
NC State Postdoctoral Plan	NC State University	08/01/21-7/31/2022	Ancillary	5	5	\$167.00
NC State Postdoctoral Plan	NC State University	08/01/21-7/31/2022	Unknown	2	2	\$120.00
NC State Postdoctoral Plan	NC State University	08/01/21-7/31/2022	Office Professional	583	225	\$78,171.41
NC State Postdoctoral Plan	NC State University	08/01/22-7/31/2023	Ancillary	9	8	\$372.00
NC State Postdoctoral Plan	NC State University	08/01/22-7/31/2023	Office Professional	593	185	\$79,940.98
NC State Postdoctoral Plan	NC State University	08/01/22-7/31/2023	Telehealth	46	13	\$2,855.00
NC State RA/TA Plan	Campus Health Services	08/01/20-7/31/2021	Office Professional	2	2	\$55.00
NC State RA/TA Plan	NC State University	08/01/20-7/31/2021	Telehealth	814	168	\$57,604.60
NC State RA/TA Plan	NC State University	08/01/20-7/31/2021	Office Professional	6,259	2,171	\$757,868.20
NC State RA/TA Plan	NC State University	08/01/20-7/31/2021	Ancillary	69	64	\$2,976.00
NC State RA/TA Plan	NC State University	08/01/21-7/31/2022	Office Professional	5,202	1,699	\$687,114.34
NC State RA/TA Plan	NC State University	08/01/21-7/31/2022	Telehealth	596	113	\$36,093.00
NC State RA/TA Plan	Campus Health Services	08/01/21-7/31/2022	Telehealth	1	1	\$100.00
NC State RA/TA Plan	Campus Health Services	08/01/21-7/31/2022	Office Professional	5	2	\$286.98
NC State RA/TA Plan	NC State University	08/01/21-7/31/2022	Ancillary	66	64	\$2,594.00
NC State RA/TA Plan	NC State University	08/01/22-7/31/2023	Unknown	1	1	\$1,300.00
NC State RA/TA Plan	NC State University	08/01/22-7/31/2023	Office Professional	5,101	1,648	\$696,058.34
NC State RA/TA Plan	Campus Health Services	08/01/22-7/31/2023	Office Professional	10	5	\$1,134.73
NC State RA/TA Plan	NC State University	08/01/22-7/31/2023	Ancillary	74	68	\$3,248.87
NC State RA/TA Plan	NC State University	08/01/22-7/31/2023	Telehealth	393	113	\$26,078.55
NC State University	NC State University	08/01/20-7/31/2021	Office Professional	4,683	1,866	\$549,822.34
NC State University	NC State University	08/01/20-7/31/2021	Ancillary	30	30	\$1,289.00
NC State University	NC State University	08/01/20-7/31/2021	Telehealth	598	137	\$39,783.50
NC State University	Campus Health Services	08/01/20-7/31/2021	Office Professional	2	1	\$298.67
NC State University	NC State University	08/01/21-7/31/2022	Office Professional	4,093	1,688	\$537,439.19
NC State University	NC State University	08/01/21-7/31/2022	Telehealth	425	98	\$28,113.30
NC State University	NC State University	08/01/21-7/31/2022	Ancillary	67	63	\$2,902.00
NC State University	ECU Student Health Service	08/01/21-7/31/2022	Office Professional	2	1	\$101.14
NC State University	NC State University	08/01/22-7/31/2023	Office Professional	3,824	1,512	\$524,754.00

Reference Information

NC State University	NC State University	08/01/22-7/31/2023	Telehealth	316	92	\$20,038.50
NC State University	NC State University	08/01/22-7/31/2023	Ancillary	55	50	\$2,639.87
North Carolina Central University	NCCU Student Health & Counseling	08/01/20-7/31/2021	Ancillary	3	3	\$150.00
North Carolina Central University	NCCU Student Health & Counseling	08/01/20-7/31/2021	Office Professional	631	302	\$116,950.97
North Carolina Central University	NCCU Student Health & Counseling	08/01/21-7/31/2022	Telehealth	71	56	\$6,750.00
North Carolina Central University	NCCU Student Health & Counseling	08/01/21-7/31/2022	Ancillary	12	12	\$258.00
North Carolina Central University	NCCU Student Health & Counseling	08/01/21-7/31/2022	Office Professional	1,000	421	\$202,379.85
North Carolina Central University	NCCU Student Health & Counseling	08/01/22-7/31/2023	Office Professional	937	442	\$195,907.69
North Carolina Central University	NCCU Student Health & Counseling	08/01/22-7/31/2023	Ancillary	23	22	\$611.00
North Carolina Central University	NCCU Student Health & Counseling	08/01/22-7/31/2023	Telehealth	60	51	\$5,490.00
UNC Asheville	The University of NC At Asheville	08/01/20-7/31/2021	Ancillary	1	1	\$20.00
UNC Asheville	The University of NC At Asheville	08/01/20-7/31/2021	Office Professional	280	133	\$17,038.00
UNC Asheville	The University of NC At Asheville	08/01/21-7/31/2022	Office Professional	271	133	\$12,563.00
UNC Asheville	The University of NC At Asheville	08/01/21-7/31/2022	Ancillary	1	1	\$5.00
UNC Asheville	The University of NC At Asheville	08/01/22-7/31/2023	Office Professional	323	138	\$13,763.00
UNC Asheville	The University of NC At Asheville	08/01/22-7/31/2023	Ancillary	1	1	\$20.00
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/20-7/31/2021	Ancillary	6	6	\$265.97
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/20-7/31/2021	Office Professional	876	406	\$114,620.84
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/20-7/31/2021	Telehealth	222	59	\$28,911.82
UNC-Chapel Hill Postdoctoral Plan	UNC Charlotte Student Health Center	08/01/20-7/31/2021	Office Professional	2	1	\$256.00
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/21-7/31/2022	Ancillary	10	10	\$473.44
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/21-7/31/2022	Office Professional	1,143	479	\$145,897.57
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/21-7/31/2022	Telehealth	199	51	\$28,498.44
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/22-7/31/2023	Ancillary	8	8	\$393.44
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/22-7/31/2023	Telehealth	91	28	\$13,320.00
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/22-7/31/2023	Office Professional	824	373	\$123,365.02
UNC-Chapel Hill Postdoctoral Plan	Campus Health Services	08/01/22-7/31/2023	Unknown	2	2	\$300.00
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/20-7/31/2021	Office Professional	4,119	1,718	\$532,692.45
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/20-7/31/2021	Ancillary	48	46	\$1,415.42
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/20-7/31/2021	Telehealth	1,344	315	\$174,616.34
UNC-Chapel Hill RA/TA Plan	UNC Charlotte Student Health Center	08/01/20-7/31/2021	Office Professional	1	1	\$30.00

Reference Information

UNC-Chapel Hill RA/TA Plan	UNC Charlotte Student Health Center	08/01/21-7/31/2022	Office Professional	3	2	\$587.00
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/21-7/31/2022	Telehealth	1,251	307	\$178,628.50
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/21-7/31/2022	Office Professional	5,767	2,103	\$718,059.67
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/21-7/31/2022	Ancillary	56	46	\$1,885.39
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/22-7/31/2023	Unknown	4	4	\$600.00
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/22-7/31/2023	Office Professional	4,832	1,766	\$700,343.18
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/22-7/31/2023	Ancillary	91	63	\$2,024.71
UNC-Chapel Hill RA/TA Plan	UNC Charlotte Student Health Center	08/01/22-7/31/2023	Office Professional	1	1	\$240.00
UNC-Chapel Hill RA/TA Plan	Campus Health Services	08/01/22-7/31/2023	Telehealth	779	219	\$115,200.00
UNC Charlotte	UNC Charlotte Student Health Center	08/01/20-7/31/2021	Ancillary	33	33	\$807.50
UNC Charlotte	UNC Charlotte Student Health Center	08/01/20-7/31/2021	Office Professional	2,497	1,253	\$220,558.00
UNC Charlotte	UNC Wilmington Student Health Center	08/01/20-7/31/2021	Office Professional	1	1	\$35.00
UNC Charlotte	UNC Charlotte Student Health Center	08/01/21-7/31/2022	Ancillary	31	29	\$879.50
UNC Charlotte	UNC Charlotte Student Health Center	08/01/21-7/31/2022	Office Professional	2,083	1,058	\$168,673.75
UNC Charlotte	Campus Health Services	08/01/21-7/31/2022	Office Professional	3	1	\$510.00
UNC Charlotte	UNC Charlotte Student Health Center	08/01/22-7/31/2023	Ancillary	34	32	\$856.50
UNC Charlotte	UNC Charlotte Student Health Center	08/01/22-7/31/2023	Office Professional	1,935	976	\$168,345.00
UNC Charlotte Postdoctoral Plan	UNC Charlotte Student Health Center	08/01/20-7/31/2021	Office Professional	22	10	\$1,889.00
UNC Charlotte Postdoctoral Plan	UNC Charlotte Student Health Center	08/01/21-7/31/2022	Office Professional	5	3	\$461.00
UNC Charlotte Postdoctoral Plan	UNC Charlotte Student Health Center	08/01/22-7/31/2023	Office Professional	22	12	\$3,810.00
UNC Greensboro	N.C. A&T State Student Health Center	08/01/20-7/31/2021	Office Professional	1	1	\$200.00
UNC Greensboro	Campus Health Services	08/01/20-7/31/2021	Office Professional	1	1	\$50.00
UNC Greensboro	UNC Greensboro Student Health Services	08/01/20-7/31/2021	Ancillary	29	27	\$1,093.00
UNC Greensboro	UNC Greensboro Student Health Services	08/01/20-7/31/2021	Office Professional	1,890	915	\$192,095.15
UNC Greensboro	UNC Greensboro Student Health Services	08/01/21-7/31/2022	Ancillary	27	27	\$686.74
UNC Greensboro	UNC Greensboro Student Health Services	08/01/21-7/31/2022	Telehealth	2	2	\$70.00
UNC Greensboro	UNC Greensboro Student Health Services	08/01/21-7/31/2022	Office Professional	2,209	920	\$208,421.75
UNC Greensboro	UNC Greensboro Student Health Services	08/01/22-7/31/2023	Office Professional	1,943	765	\$179,511.65
UNC Greensboro	UNC Greensboro Student Health Services	08/01/22-7/31/2023	Ancillary	24	22	\$874.15
UNC Greensboro	NC State University	08/01/22-7/31/2023	Office Professional	3	1	\$270.00
UNC Greensboro	N.C. A&T State Student Health Center	08/01/22-7/31/2023	Office Professional	1	1	\$170.00

Reference Information

UNC Pembroke	UNC Pembroke Student Blue Group	08/01/20-7/31/2021	Office Professional	1	1	\$40.00
UNC Pembroke	ECU Student Health Service	08/01/21-7/31/2022	Office Professional	1	1	\$9.92
UNC Pembroke	UNC Pembroke Student Blue Group	08/01/22-7/31/2023	Office Professional	54	39	\$2,972.00
UNC School of the Arts	UNC School of The Arts Health Services	08/01/20-7/31/2021	Office Professional	89	57	\$3,037.96
UNC School of the Arts	UNC School of The Arts Health Services	08/01/20-7/31/2021	Ancillary	2	1	\$120.00
UNC School of the Arts	UNC School of The Arts Health Services	08/01/21-7/31/2022	Ancillary	3	3	\$24.00
UNC School of the Arts	UNC School of The Arts Health Services	08/01/21-7/31/2022	Office Professional	70	49	\$3,025.36
UNC School of the Arts	UNC School of The Arts Health Services	08/01/22-7/31/2023	Office Professional	31	27	\$1,303.24
UNC School of the Arts	UNC School of The Arts Health Services	08/01/22-7/31/2023	Ancillary	5	4	\$233.00
UNC Wilmington	UNC Wilmington Student Health Center	08/01/20-7/31/2021	Office Professional	713	326	\$49,793.00
UNC Wilmington	UNC Wilmington Student Health Center	08/01/20-7/31/2021	Ancillary	1	1	\$30.00
UNC Wilmington	UNC Wilmington Student Health Center	08/01/21-7/31/2022	Office Professional	629	330	\$40,154.00
UNC Wilmington	UNC Wilmington Student Health Center	08/01/21-7/31/2022	Ancillary	3	3	\$65.00
UNC Wilmington	UNC Wilmington Student Health Center	08/01/22-7/31/2023	Ancillary	5	5	\$70.00
UNC Wilmington	UNC Wilmington Student Health Center	08/01/22-7/31/2023	Office Professional	753	381	\$42,758.00
UNC-Chapel Hill	Campus Health Services	08/01/20-7/31/2021	Telehealth	1,922	400	\$250,462.44
UNC-Chapel Hill	UNC Wilmington Student Health Center	08/01/20-7/31/2021	Office Professional	3	2	\$280.00
UNC-Chapel Hill	The University of NC At Asheville	08/01/20-7/31/2021	Office Professional	76	38	\$5,711.00
UNC-Chapel Hill	UNC Charlotte Student Health Center	08/01/20-7/31/2021	Office Professional	38	25	\$2,644.00
UNC-Chapel Hill	Campus Health Services	08/01/20-7/31/2021	Ancillary	68	59	\$2,285.31
UNC-Chapel Hill	Campus Health Services	08/01/20-7/31/2021	Office Professional	6,410	2,463	\$823,995.59
UNC-Chapel Hill	ECU Student Health Service	08/01/20-7/31/2021	Office Professional	2	1	\$165.00
UNC-Chapel Hill	Campus Health Services	08/01/21-7/31/2022	Office Professional	9,687	3,242	\$1,206,681.95
UNC-Chapel Hill	Campus Health Services	08/01/21-7/31/2022	Telehealth	1,398	349	\$197,415.00
UNC-Chapel Hill	The University of NC At Asheville	08/01/21-7/31/2022	Office Professional	52	30	\$4,947.00
UNC-Chapel Hill	UNC Charlotte Student Health Center	08/01/21-7/31/2022	Office Professional	11	6	\$1,791.25
UNC-Chapel Hill	Campus Health Services	08/01/21-7/31/2022	Ancillary	113	104	\$3,459.63
UNC-Chapel Hill	UNC Wilmington Student Health Center	08/01/21-7/31/2022	Office Professional	4	3	\$185.00
UNC-Chapel Hill	Campus Health Services	08/01/22-7/31/2023	Telehealth	962	256	\$141,234.00
UNC-Chapel Hill	The University of NC At Asheville	08/01/22-7/31/2023	Office Professional	57	28	\$4,679.00
UNC-Chapel Hill	UNC Wilmington Student Health Center	08/01/22-7/31/2023	Office Professional	4	1	\$223.00

Reference Information

UNC-Chapel Hill	ECU Student Health Service	08/01/22-7/31/2023	Office Professional	1	1	\$9.13
UNC-Chapel Hill	Campus Health Services	08/01/22-7/31/2023	Unknown	5	5	\$760.00
UNC-Chapel Hill	Campus Health Services	08/01/22-7/31/2023	Office Professional	8,151	2,805	\$1,157,846.08
UNC-Chapel Hill	Campus Health Services	08/01/22-7/31/2023	Ancillary	181	144	\$5,528.20
Western Carolina University	Western Carolina University Health Services	08/01/20-7/31/2021	Office Professional	1,176	560	\$77,977.63
Western Carolina University	Western Carolina University Health Services	08/01/20-7/31/2021	Ancillary	5	5	\$75.00
Western Carolina University	Western Carolina University Health Services	08/01/21-7/31/2022	Office Professional	647	366	\$30,130.00
Western Carolina University	Western Carolina University Health Services	08/01/22-7/31/2023	Office Professional	733	385	\$39,508.81
Western Carolina University	Western Carolina University Health Services	08/01/22-7/31/2023	Ancillary	1	1	\$15.00
Winston-Salem State University	Winston Salem State University	08/01/20-7/31/2021	Office Professional	431	217	\$60,563.28
Winston-Salem State University	Winston Salem State University	08/01/20-7/31/2021	Ancillary	2	2	\$38.00
Winston-Salem State University	Winston Salem State University	08/01/21-7/31/2022	Office Professional	325	173	\$55,065.52
Winston-Salem State University	Winston Salem State University	08/01/21-7/31/2022	Ancillary	2	2	\$40.00
Winston-Salem State University	Winston Salem State University	08/01/22-7/31/2023	Ancillary	5	5	\$0.00
Winston-Salem State University	Winston Salem State University	08/01/22-7/31/2023	Office Professional	541	263	\$90,659.28

Pharmacy Benefit Management (PBM) 101

Jean Russell

What is a PBM?

An organization that helps:

- Manage the purchasing, reimbursement and dispensing of prescription drugs for employers, plan sponsors or health plans.
- Create and maintain pharmacy networks.
- Create formularies that influence physician prescribing patterns to aid in securing drug manufacturer rebates.
- Administer clinical and disease management programs to manage utilization.
- Negotiate prescription drug pricing.
- Operate or contract with a mail-order pharmacy.

What is the Main Goal of a PBM?

- To contain escalating prescription drug costs.

How PBMs Help Plan Sponsors Save Money

- Negotiate discounts
- Increase use of generics
- Make distribution more efficient
- Negotiate rebates
- Formulary management
- Plan design

Discounts

PBMs can leverage their market share to negotiate better discounts and pricing than a plan sponsor could achieve independently.

- **Brand discount** – Guaranteed contracted discounts on brand-name medication negotiated with retail and mail-order pharmacies.
- **Generic discount** – Guaranteed contracted discounts on generic medications negotiated with retail and mail-order pharmacies.
 - Guarantees are achieved through maximum allowable cost (MAC) pricing

Reference Information

Maximum Allowable Cost (MAC)

MAC is the maximum amount a plan will pay for generic drugs and brand-name drugs that have a generic version available.

- MAC lists vary by PBM.
- Not all generics have a MAC.
- MAC guarantee ranges from 30%-60%.

Generics

- The more plan members who choose generic over brand-name drugs, the more cost-effective for the plan.
- PBMs use or encourage step therapy, specialized plan design and other programs to increase the use of generics.

Distribution Efficiency

- Mail-order pharmacies can generally lower costs.
 - Some PBMs create incentives for mail order or make it mandatory for members.
- Relationships with specialty pharmacies can also lower costs for expensive specialty drugs.

Advantages of Mail Order

- All PBMs offer a mail-order option.
 - Some have their own mail-order pharmacy, some contract with one.
- Best utilized for the purchase of maintenance medications (drugs taken on a long-term basis).
- Mail-order rates are financially advantageous to the plan sponsor because they have lower administrative and dispensing fees.
- Convenient for members.
- Purchase large volumes of prescriptions directly from the manufacturer or wholesaler.
- Automated filling process results in a higher volume of prescriptions filled.
- Allow a greater day supply limit, resulting in lower overhead costs per prescription.

What is a Specialty Pharmacy?

- Designed to manage and support the use of specialty drugs treating complex diseases.
- Drugs included in these programs vary by PBM.
- The pricing of these medications is usually higher than other medications; it may also include a handling fee.
- These drugs typically cost more than \$500 per dose or \$6,000 per year.

Reference Information

Rebates

- Rebate is a refund received from drug manufacturers for the inclusion of their products on a formulary or a payment from a manufacturer to offset the cost of a brand-name drug.
- Rebates are negotiated with the plan sponsor in various ways:
 - A guaranteed fixed dollar amount for all claims.
 - A percentage or fixed amount for all brand claims.
 - A percentage or fixed amount for all claims listed on the formulary.
 - A percentage or fixed amount based on all rebateable claims.

What is a Formulary?

- List of preferred drugs selected based on quality and cost by a PBM, or by a third party that partners with the PBM to create a formulary.
- Formulary listing can be greatly influenced by rebates the PBM receives from drug manufacturers.
- Each PBM selects its own list of drugs, which results in different drugs on each list.

Formulary Management

- Balances the value of drugs with cost:
 - **Step therapy programs:** require members to try cheaper drugs before paying for more expensive alternatives.
 - **Performance formulary:** encourages members to use the most effective drugs in a therapeutic class while limiting other options.

How is Formulary Compliance Achieved?

- Customized messages to the pharmacies at the point of sale.
- Patient and physician education.
- Three- or four-tier copay structures.
- Therapeutic interchange programs are used to encourage physicians to use a formulary medication instead of a non-formulary medication.
- All of these programs can increase the amount of rebate payment the PBM receives.

Plan Design

- PBMs use specialized plan designs to help save money on the plan, including:
 - Multi-tier plans and associated copays.
 - Prior authorization and medical necessity rules.
 - Prescription drug deductibles.

Shopping for a PBM

What Should you Analyze?

- Dispensing fees
- U&C (usual and customary) pricing formula
- Administrative fees
- Rebates
- Clinical program options
- Drug coverage options
- Pharmacy network
- Reporting capabilities
- Formulary options
- ID card options

What is a Dispensing Fee?

- Fee paid to the pharmacy dispensing a drug above and beyond the cost of the medication.
- Ultimately a service fee.

What is Considered Usual and Customary (U&C)?

In general, term refers to price paid by a consumer:

- When the U&C price is higher than the contracted price, the PBM only pays the contracted price.
- When the U&C price is lower than the contracted price, the PBM pays the U&C price.
- When the lowest price at the retail pharmacy is the U&C price, the PBM may pass the savings along to the plan sponsor, depending on the contract arrangement.

U&C Pricing Formulas

- #1 – The PBM may not include U&C pricing as a part of the formula and charge the contracted price to the plan member and plan sponsor.
- #2 – The PBM charges the plan sponsor the U&C or the average wholesale price (AWP) discount, whichever is lower.

What Services Require Administrative Fees

- Administrative fees cover the cost of processing claims and account management.
- Additional fees may be charged for services provided.
- Examples include:
 - Drug utilization review, customized reporting, prior authorizations, marketing material, ID cards, coordination of benefits processing and reporting, clinical audits, customized pharmacy, network development, system or plan enhancements, programming time and IS time (e.g., loading historical data and non-standard eligibility formats).

Reference Information

What are Clinical Programs?

- Services provided to aid in the reduction of overall medical costs.
- Not included in standard administrative pricing.
- Examples include:
 - Disease state management
 - Quantity limitations
 - Step therapy
 - Prior authorizations
 - Drug utilization review
 - Care management

Reporting

- PBMs should provide regular reporting to the plan sponsor.
- “Standard” reports are usually included in the contract.
- “Ad hoc” or non-standard reporting can be requested, usually for a fee.

What is Zero Balance Logic (ZBL)

- For inexpensive medications, the prescription price may be less than the copay.
- ZBL is handled two ways:
 - #1 – Charge the member the cost of the prescription if it is less than the copay.
 - #2 – Consistently charge the member the copay regardless of the cost of the prescription, creating additional revenue for the pharmacy.
- ZBL is not always disclosed in the PBM contract.

	ZBL Off			ZBL On		
	Member pays lowest of negotiated discount, copay or U&C			Member pays lower of U&C or plan copay		
Discounted AWP (or MAC) + Fee	\$6	\$8	\$12	\$6	\$8	\$12
Plan Copay	\$10	\$10	\$10	\$10	\$10	\$10
U&C	\$8	\$6	\$14	\$8	\$6	\$14
Member Fee	\$6	\$6	\$10	\$8	\$6	\$10
Pharmacy Reimbursement	\$6	\$6	\$12	\$8	\$6	\$12
Plan Sponsor Invoice	\$0	\$0	\$2	\$0	\$0	\$2

How do PBMs Make Money

- Clinical program fees
- Pricing differential
- MAC differential
- No MAC at mail order
- Rebate revenue
- PBM-owned mail-order pharmacy
- Administration fees

Gallagher at a glance

Gallagher has been designing solutions to meet our clients' unique needs for more than 90 years. We pioneered many of the innovations in risk management used by businesses in all industries today. We believe that the best environment for learning and growing is one that remembers the past and invents the future. Gallagher has divisions specializing in retail insurance brokerage operations, benefits and HR consulting, wholesale distributions and third-party administrations and claims processing.

As one of the largest insurance brokers in the world, Gallagher has approximately 700 offices in 33 countries and provides client-service capabilities in more than 150 countries around the world through our network of partners. Wherever you are, we're nearby.

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Student Health &
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