

November 15, 2023 at 1 p.m.  
Via Videoconference and PBS North Carolina Livestream  
University of North Carolina at Greensboro  
Nursing and Instructional Building, Room 510  
Greensboro, North Carolina

## AGENDA

- A-1. Approval of the Minutes of October 19, 2023.....Lee Roberts
- A-2. Self-Funded Student Health Insurance Report..... Wendy Murphy  
Jean Russell, Bob Jordan  
Gallagher Student Health
- A-3. Exceeding the Policy Limit on Non-resident Freshman Enrollment –  
University of North Carolina Wilmington .....Jennifer Haygood
- A-4. Expansion of Millennial Campus Designation –  
University of North Carolina Asheville ..... Jennifer Haygood and John Liposchak
- A-5. Authorized Use of Special Obligation Bonds “Commercial Paper” –  
NC State University .....Jennifer Haygood
- A-6. Capital Improvement Projects ..... Katherine Lynn
- A-7. Disposition of Property by Demolition – East Carolina University ..... Katherine Lynn
- A-8. Adjourn

### Additional Information Available:

Self-Funded Student Health Insurance Report (Full Report)

## DRAFT MINUTES

October 19, 2023 at 10 a.m.

Via Videoconference and PBS North Carolina Livestream

This meeting of the Committee on Budget and Finance was presided over by Chair Lee Roberts. The following committee members, constituting a quorum, were also present by video: Jimmy Clark, Reginald Holley, Mark Holton, and Terry Hutchens. The following committee member was absent: Joel Ford.

Chancellors participating were Karrie Dixon, Sharon Gaber, and Philip Rogers.

Staff members present by video included Jennifer Haygood, Brandy Andrews, Katherine Lynn, and others from the University of North Carolina System Office.

Committee Faculty Assembly advisors present by video included Carol Cain, Susan Harden, and Jim Westerman.

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### 1. Approval of the Minutes of September 13, 2023 (Item A-1)

The chair called the meeting to order at 10 a.m. on Wednesday, October 19, 2023, and called for a motion to approve the minutes from the regular meeting of September 13, 2023.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the regular meeting minutes of September 13, 2023, as distributed.

**Motion: Mark Holton**

**Motion carried**

### 2. 2023-24 Operating Budget Allocations (Item A-2)

Senior Vice President Jennifer Haygood provided details on the 2023 Appropriations Act, which provided General Fund appropriations totaling \$3.7 billion to the University of North Carolina System for FY 2023-24, an 11.4 percent increase over the System's base budget. The 2023-24 operating budget allocations were approved by the committee, which included the president's delegated authority items and a summary of special provisions.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the 2023-24 Operating Budget Allocations and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion: Jimmy Clark**

**Motion carried**

### **3. Amend Section 1000.1.1 of the UNC Policy Manual, *Policy on Tuition Rates* (Item A-3)**

Ms. Haygood explained that in November 2021, the committee adopted the Task Force on Pricing, Flexibility, and Affordability's recommendation that the president develop, via regulation, a common methodology for estimating the total cost of attendance. As a result, the committee approved the amendments to Section 1000.1.1, *Policy on Tuition Rates*, to provide consistency in the cost of attendance calculation for all UNC System universities.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the amendments to Section 1000.1.1, *Policy on Tuition Rates*, and recommend them to the full Board of Governors for a vote through the consent agenda at the next meeting.

**Motion: Jimmy Clark**

**Motion carried**

### **4. Amend Section 1100.1 of the UNC Policy Manual, *Policy of Intercollegiate Athletics* (Item A-4)**

Ms. Haygood explained that the 2023 Appropriations Act (S.L. 2023-134) appropriated \$10 million and \$7 million on a nonrecurring basis in FY 2024 and FY 2025, respectively, to distribute to athletic departments at certain University of North Carolina institutions. This legislation also budgeted sports betting tax revenues appropriated to 13 constituent institution athletic departments starting in FY 2025, as provided by S.L. 2023-42.

The committee approved the revisions to Section 1100.1, *Policy of Intercollegiate Athletics*, to enhance oversight of state-appropriated athletic funds that provide economic benefits to the institutions/regions while promoting affordability and sustainable operations.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the amendments to Section 1100.1, *Policy of Intercollegiate Athletics*, and recommend them to the full Board of Governors for a vote through the consent agenda at the next meeting.

**Motion: Mark Holton**

**Motion carried**

### **5. 2023-24 NC Promise Tuition Plan Annual Report (Item A-5)**

Ms. Haygood reported on the 2023-24 NC Promise Tuition Plan Annual Report reflecting total allocations of \$74 million to offset the decrease in tuition revenue. The University of North Carolina System Office makes initial allocations to the institutions in the fall based upon fall census data and an average of fall-to-spring retention rates. Funds are reallocated in the spring after the spring census to match actual enrollment.

This item was for information only.

**6. 2023-24 State Capital and Infrastructure Fund (SCIF) Repair and Renovations (R&R) Allocations (Item A-6)**

Vice President Katherine Lynn presented the 2023-24 State Capital and Infrastructure Fund (SCIF) Repair and Renovations (R&R) Allocations to the committee. The committee approved the total of \$85.2 million that would be specifically allocated as follows: \$35.2 million to fund inflationary increases and the design and construction of specified projects, and \$50 million for maintenance R&R to be distributed in an accordance with the approved R&R allocation model.

**MOTION:** Resolved, that the Committee on Budget and Finance approve 2023-24 State Capital and Infrastructure Fund (SCIF) Repair and Renovations (R&R) Allocations as delegated by the Board of Governors.

**Motion: Terry Hutchens**

**Motion carried**

**7. Capital Improvement Projects (Item A-7)**

Ms. Lynn presented requests for capital improvement projects, including the authorization of \$9.3 million for five new capital projects at the University of North Carolina at Charlotte, University of North Carolina Wilmington, and Western Carolina University. The committee approved those projects as well as requests for a total of \$10.8 million in four increased authorizations at East Carolina University, University of North Carolina at Chapel Hill, and University of North Carolina at Charlotte.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the capital improvement projects at ECU, UNC-Chapel Hill, UNC Charlotte, UNC Wilmington, and WCU and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion: Reginald Holley**

**Motion carried**

Lastly, the committee received information on the five-year actual general fund expenditures and revenues.

**8. Adjourn (Item A-8)**

There being no further business and without objection, the meeting adjourned at 10:43 a.m.

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Reginald Holley, Secretary

**AGENDA ITEM**

A-2. Review and Discussion: Self-Funded Student Health Insurance Report ..... Wendy Murphy  
Jean Russell  
Bob Jordan  
Gallagher Student Health

**Situation:** In accordance with the resolution passed by the University of North Carolina Board of Governors Committee on Budget and Finance in January 2023, which called on the University of North Carolina System Office to develop a proposed implementation plan to improve the affordability and efficiency of student health insurance by moving to a self-funded plan, the System Office solicited bids via a competitive Request for Proposal (RFP) process. Through that process Arthur J. Gallagher & Company (Gallagher) was selected to provide the necessary expertise in drafting the proposed implementation plan. The proposed implementation plan must be presented to the Board of Governors no later than its November meeting.

**Background:** In January 2023, the Committee on Budget and Finance received and passed a recommendation from the Task Force of Pricing, Flexibility, and Accountability for a resolution that called on the System Office to develop a proposed implementation plan on the opportunity to improve the affordability and efficiency of student health insurance by moving to a self-funded plan. That proposed implementation plan was presented to the Task Force on Pricing, Flexibility, and Affordability on November 7, 2023, and unanimously referred to the Committee on Budget and Finance for review and consideration.

**Assessment:** The Committee on Budget and Finance will receive the report from the Task Force on Pricing, Flexibility, and Affordability, including a presentation of the potential benefits and risks of moving to a self-funded student health insurance plan for the UNC System findings by representatives from Gallagher Student Health.

**Action:** This item is for discussion only.

# University of North Carolina System: Self-Funded Student Health Benefit Plan Feasibility Study

Prepared By:

Jean Russell, Vice President

Bob Jordan, Senior Healthcare Actuary

Jeff Montgomery, Senior Consulting Analyst, Gallagher Student Health & Special Risk

# Refresher: Student Health Insurance in the UNC System

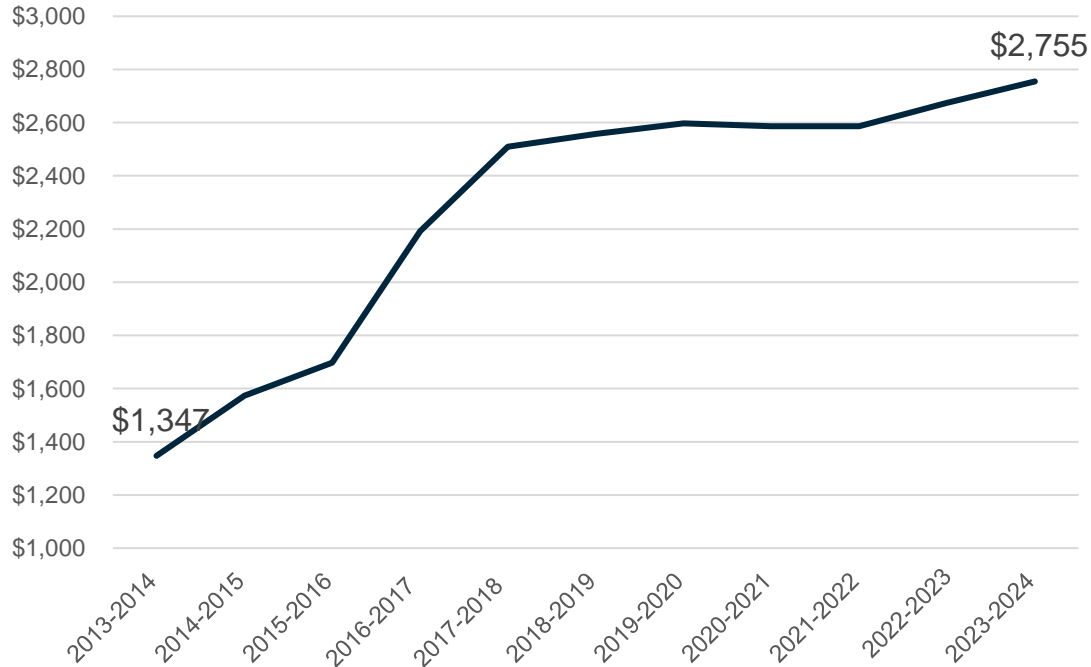


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## Origins and Recent History

- Since 2010, the Board of Governors has required students to have health insurance.
- The System contracted with Blue Cross Blue Shield of North Carolina to provide a fully insured student health insurance plan (Student Blue).
- At Board’s direction, the System implemented a “hard waiver” approach, whereby students who do not waive coverage - by providing proof of reasonable coverage - are enrolled in Student Blue.
- Enrollment in the program has declined over time, but still covers ~24,000 students.

Student Blue Premium Over Time



- In 2021-22, the Board tasked System Office with studying insurance billing at student health centers.
- Study found that adopting a self-funded student health insurance program could result in cost savings.
- One year ago, a Board resolution called for the development of a feasibility and implementation plan for a self-funded student health insurance plan.

## Advantages of Implementing Self-Funding for SHIP

- Cost Containment (Student Blue Only):
  - Immediate savings of approximately \$885K to \$5.9M from projected fully insured cost for 2024-2025
    - Includes savings of \$1.5M by eliminating state health care fees and state premium taxes
  - Conservative five-year projected savings of \$5M to \$30M
    - Savings of 10-12% in the pharmacy program compared to projected rates after increase in fully insured product in 2024-2025, representing around \$1.6M to \$2.0M
  - Consider mandating international students to enroll in SHIP by modifying waiver criteria
    - GSH's actuarial experience shows that international students' healthcare claims are 20-40% lower than domestic students.
  - Establish an initial capitalization of at least \$16.7M
  - A year-end surplus of \$19.6M will be generated net of expenses
    - This represents \$13.9M in true surplus and \$5.7M in reserve to pay for claims incurred but not yet reported



# Recommendations

## Advantages of Implementing Self-Funding for SHIP

- Greater plan design flexibility
- Transparency in claims data for improved decision-making
- Implement a governance and administration structure for improved management

# Key Findings

- **The UNC System Practices a Hard Waiver For Student Health Insurance**
- **SHIP Enrollment History**
  - While overall enrollment numbers at the UNC System have been steadily increasing, there has been a declining trend in SHIP enrollment.
- **Demographics of Enrolled Student Population**
  - 87.6% of students are in the age range of 18-30 years.
  - 0.1% of the students are adult learners in the age range of 65-74 years.

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
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	

# Key Findings: Rate History and Claims Trend



Student Health & Special Risk

## SHIP Rate History

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

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

## Medical Claims Trend

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%
Five-Year Average	6.9%	3.4%	1.5%

Figure F1

# Key Findings

## SHIP Medical Loss Ratio

- The loss ratio has been increasing dramatically over past few years.

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

## Total Paid Claims Break Out in Recent Years

- Approximately 61% of enrolled students in SHIP had claims totaling under \$500.
- Only 0.4% of the enrolled students in SHIP had claims exceeding \$50,000.

## Methodology

- Gallagher's fully insured projection reflects the BCBSNC rate renewal projection as well as known expenses not included in the BCBSNC rates.
- Self-funded savings estimates are relative to Gallagher's projection of fully insured rate renewal

## Administrative Expenses

- The self funded projections include Gallagher's best estimate of all fees required to run a self-insured plan.

## Stop Loss

- Establishing Stop Loss at \$1,000,000 is the recommended conservative starting point, subject to ongoing review as the program progresses.

## Cost Savings

- The removal of the State healthcare fee results in a savings of approximately \$1.5M.
- Moving stop loss coverage to a separate contract is expected to save approximately \$0.2M.
- Some vendors have proposed medical claims discounts exceeding what is currently achieved by 5% to 7%. No savings for medical discounts has been assumed in the projections.

# Financial Analysis-SHIP

- **Scenario A- Baseline Cost Approach:** Reflects savings associated with implementing self-funding and elimination of the State Healthcare Fee with minimal other changes.
- **Scenario B- Mid-Case Cost Approach:** Reflects additional savings associated with achieving higher pharmacy rebates and administrative cost savings anticipated to be available through a competitive bidding process.
  - GSH conducted a comprehensive market analysis to assess potential carriers offering self-funding services.
  - Approach encompassed various carriers, ranging from Third-Party Administrators (TPAs) to Stop Loss providers, ensuring a well-rounded assessment of potential avenues for self-funding.
  - Gallagher's National Pharmacy Practice reviewed the SHIP claims and compared to similar groups has predicted a conservative pharmacy discount of 10%.



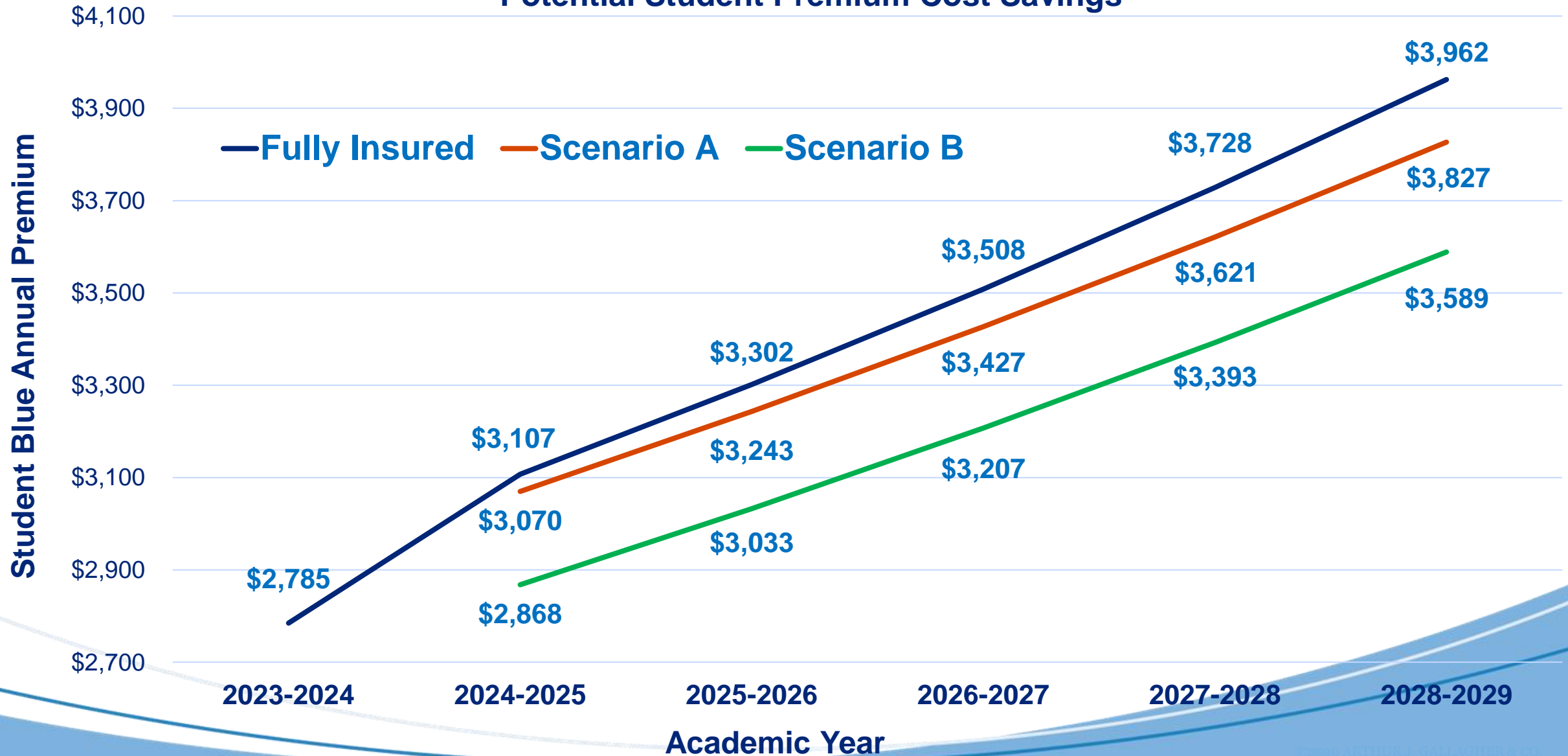
# Financial Analysis-SHIP

	<b>Fully Insured BCBSNC 8/1/24-7/31/25</b>	<b>Self-Funded Scenario A-Baseline Cost 8/1/24-7/31/25</b>	<b>Self-Funded Scenario B Mid-Case Cost 8/1/24-7/31/25</b>
<b>PSPM</b>			
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
<b>Total Expense</b>	<b>\$258.95</b>	<b>\$255.84</b>	<b>\$238.40</b>

*PSPM = per student per month*

# Five Year Forecast - SHIP Premium Rates

## Potential Student Premium Cost Savings







# Financial Analysis-SHIP

	<b>Fully Insured BCBSNC 8/1/24-7/31/25</b>	<b>Self-Funded Scenario A-Baseline Cost 8/1/24-7/31/25</b>	<b>Self-Funded Scenario B-Mid-Case Cost 8/1/24-7/31/25</b>
<b>Annual Expense</b>			
Claims	<b>\$62,397,058</b>	<b>\$62,397,058</b>	<b>\$60,650,202</b>
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
<b>Subtotal Retention and Fees</b>	<b>\$11,244,743</b>	<b>\$10,360,255</b>	<b>\$7,146,670</b>
<b>Total Expense</b>	<b>\$73,641,801</b>	<b>\$72,757,313</b>	<b>\$67,796,872</b>
<b>Self-Funded Savings</b>		<b>\$884,488</b>	<b>\$5,844,929</b>

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

# Cash Flow Analysis – Scenario B – Mid-Case Cost



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## Initial Capitalization/Year End Reserve

- No premium is assumed to be collected before November.
- The initial capitalization would \$16.75M (Scenario B) to \$17.5M (Scenario A).
- At the end of the year, the estimated surplus generated for each Scenario would be:
  - \$20.4M Scenario A = \$14.6 true surplus + \$5.8 claims reserve (claims incurred but not yet reported)
  - \$19.6M Scenario B = \$13.9M in true surplus + \$5.7M claims reserve (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 \$30M.
- Self-funded consortiums have the potential to achieve increasing savings over time due to the immediate and full realization of program savings.
- Five-year savings could potentially reach as high as \$35M, reflecting a conservative estimate of a 0.5% to 1.0% reduction in claims trend.
- Transitioning to a self-funded model will further enhance capacity to realize long-term claims reductions.

# Action Steps to Implement Recommendations

- **Required Steps**
  - Institute a governance and administrative framework.
  - Create comprehensive plan documents.
  - Formulate one or more advisory committees and engage with all 16 universities.
  - Procure third party administrator for claims processing and related services.
  - Engage other vendors, including consultant specializing in SHIP.
- **Priority Efficiency Recommendations**
  - Streamline invoicing and payment procedures for SHIP across the 16 universities and the System.
  - Synchronize waiver deadlines with student billing statements.

# Questions



THE UNIVERSITY OF  
NORTH CAROLINA SYSTEM

# 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*

November 7, 2023

**Prepared By:**

Jean Russell, Vice President  
Bob Jordan, Senior Healthcare Actuary  
Jeff Montgomery, Senior Consulting Analyst  
Gallagher Student Health & Special Risk

**Prepared For:**

University of North Carolina System



Student Health &  
Special Risk

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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 boarders and encourage efficient and effective use of state resources. (Source: [northcarolina.edu/about-us/](http://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

## Executive Summary

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%
<b>NC-SHIP</b>	<b>11.0%</b>		<b>11.0%</b>

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.



## Executive Summary

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.

## Executive Summary

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](#).

## Executive Summary

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.

## Executive Summary

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

## Executive Summary

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.

**AGENDA ITEM**

- A-3. Exceeding the Policy Limit on Non-resident  
Freshman Enrollment – University of North Carolina Wilmington .....Jennifer Haygood

**Situation:** University of North Carolina Wilmington’s out-of-state freshman enrollment has exceeded the limits established by the University of North Carolina Board of Governors UNC Policy Manual for the second consecutive year.

**Background:** Section 700.1.3 of the UNC Policy Manual, *Policy on Non-Resident Undergraduate Enrollment*, states that any UNC System constituent institution, except the University of North Carolina School of the Arts, that exceeds its out-of-state freshman enrollment limitation for two consecutive fiscal years shall have its state operating budget reduced. This reduction shall be made in the second fiscal year in which the two consecutive fiscal year condition is violated; the reduction shall be made, on a nonrecurring basis, immediately after the Board approves the annual enrollment report. The budget reduction shall be based on the tuition revenue received from out-of-state freshmen enrolled in excess of their specified limitation.

**Assessment:** It is recommended that the funds be reallocated to the North Carolina Need-Based Scholarship for Public Colleges and Universities for the benefit of UNC System students.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **Exceeding the Policy Limit on Non-resident Freshman Enrollment — University of North Carolina Wilmington**

Fall 2023 enrollment indicates that University of North Carolina Wilmington has non-resident first-time undergraduate enrollment — for two consecutive years — that exceeds the cap, an over-enrollment of 204 non-resident students. Section 700.1.3 of the UNC Policy Manual, *Policy on Non-Resident Undergraduate Enrollment*, as shown below, requires a budgetary adjustment at the institution.

Effective with the fall semester 2022, the following caps are established for students classified as non-residents for tuition purposes in the fall first-time undergraduate class. The cap shall be equal to the percentage of the total number of first-time undergraduate students enrolled in the fall of the prior academic year.

- A. The cap shall be 18 percent for Appalachian State University, North Carolina State University at Raleigh, University of North Carolina at Chapel Hill, University of North Carolina at Charlotte, and University of North Carolina Wilmington.
- B. The cap shall be 25 percent for East Carolina University, Fayetteville State University, University of North Carolina at Asheville, University of North Carolina at Greensboro, University of North Carolina at Pembroke, Western Carolina University, and Winston-Salem State University.
- C. The cap shall be 35 percent for North Carolina Agricultural and Technical State University<sup>1</sup> and North Carolina Central University.
- D. The cap shall be 50 percent for Elizabeth City State University.

Any constituent institution that exceeds their non-resident enrollment cap prescribed in section II., above, for two consecutive fiscal years shall have its State operating budget reduced. This reduction shall be made in the second fiscal year in which the two consecutive fiscal year condition is violated; the reduction shall be made, on a non-recurring basis, immediately after the Board of Governors reviews final fall semester enrollment figures. The budget reduction shall be based on the number of non-resident students for tuition purposes in the entering fall first-time class enrolled in excess of the specified institutional percent limitation and the established method used for calculating the operating requirements for regular term enrollment changes.

<sup>1</sup>Does not include undergraduate engineering students enrolled at North Carolina A&T State University per Board of Governors action, January 11, 2002



The required budget adjustment and first-time undergraduate enrollment information follows:

<b>First-Time Undergraduate Enrollment for University of North Carolina Wilmington</b>								
Fall 2022 Census Enrollment			Fall 2023 Census Enrollment			Fall Out-of-State Cap based on Fall 2022 Cohort		
In-State	Out-of- State	Total	In-State	Out-of- State	Total	Allowable Percentage	Actual Percentage	Enrollment Exceeding Cap
1,888	482	2,370	2,071	630	2,701	18%	27%	204

For the 2023-24 fiscal year, the budget for University of North Carolina Wilmington will be reduced by \$4,102,644 pursuant to Board of Governors Policy 700.1.3. It is recommended that the funds be reallocated to the North Carolina Need-Based Scholarship for Public Colleges and Universities for the benefit of UNC System students.

**AGENDA ITEM**

- A-4. Expansion of Millennial Campus Designation —  
University of North Carolina Asheville ..... Jennifer Haygood and John Liposchak

**Situation:** The University of North Carolina Asheville Board of Trustees requests an expansion of the millennial campus by 4.45 acres to increase opportunities for performance-based ventures and revenue potential.

**Background:** UNC Asheville has a millennial campus of approximately 210.17 acres. The UNC Asheville Board of Trustees proposes to expand the millennial campus by 4.45 acres to include the Sherrill Center and Kimmel Arena and any associated improvements and auxiliary facilities. The Sherrill Center houses the Health and Wellness Department and the N.C. Center for Health and Wellness. Expanding the millennial campus designation will increase the university's ability to expand opportunities for performance-based ventures for sports performance and health and wellness.

The UNC Asheville Board of Trustees approved the expansion of the millennial campus on September 22, 2023.

**Assessment:** The expansion of the millennial campus designation by 4.45 acres to include the Sherrill Center and Kimmel Arena will increase partnership opportunities to enhance the university's research, teaching, and service missions and is consistent with the purpose of the millennial campus.

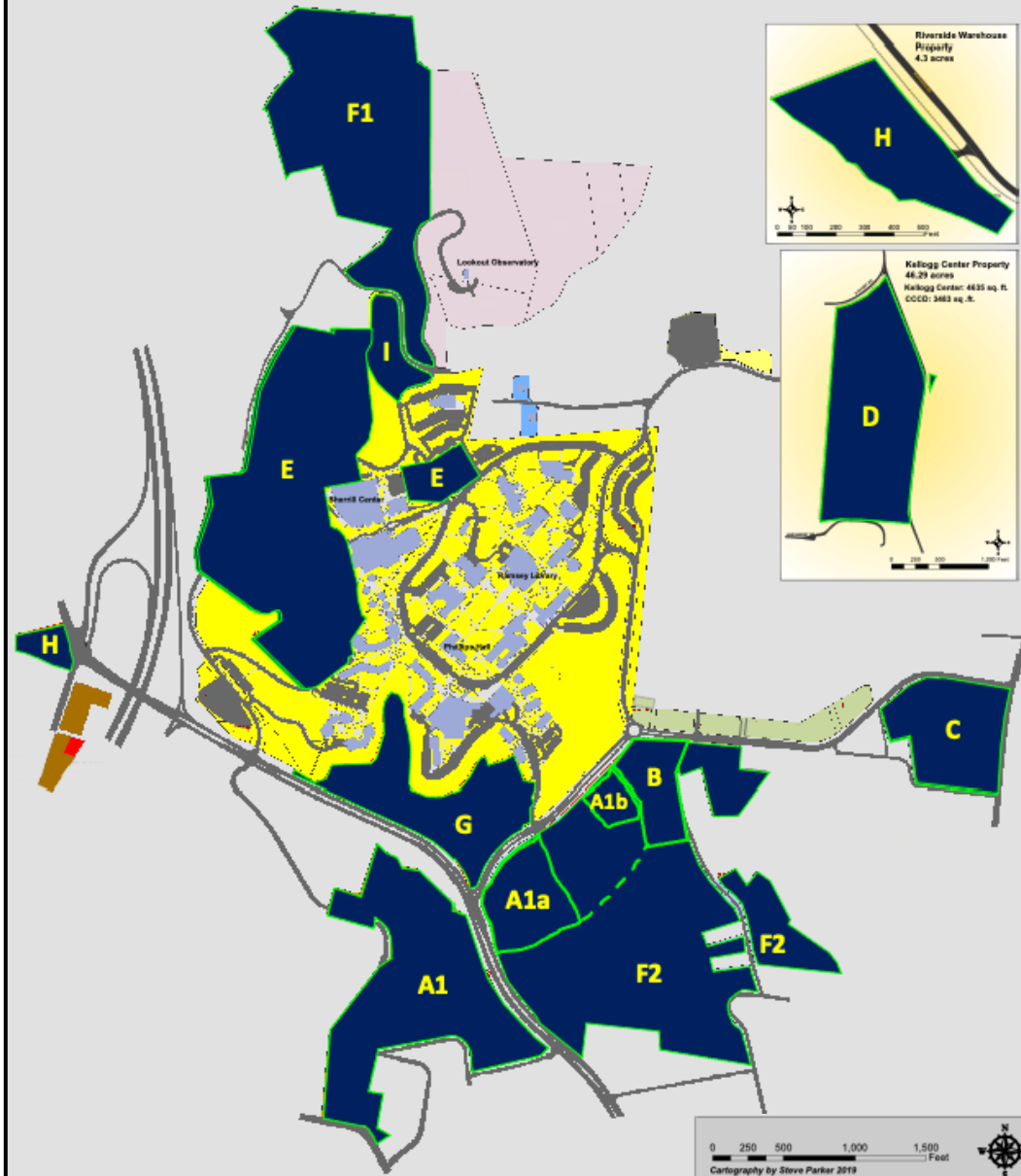
**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

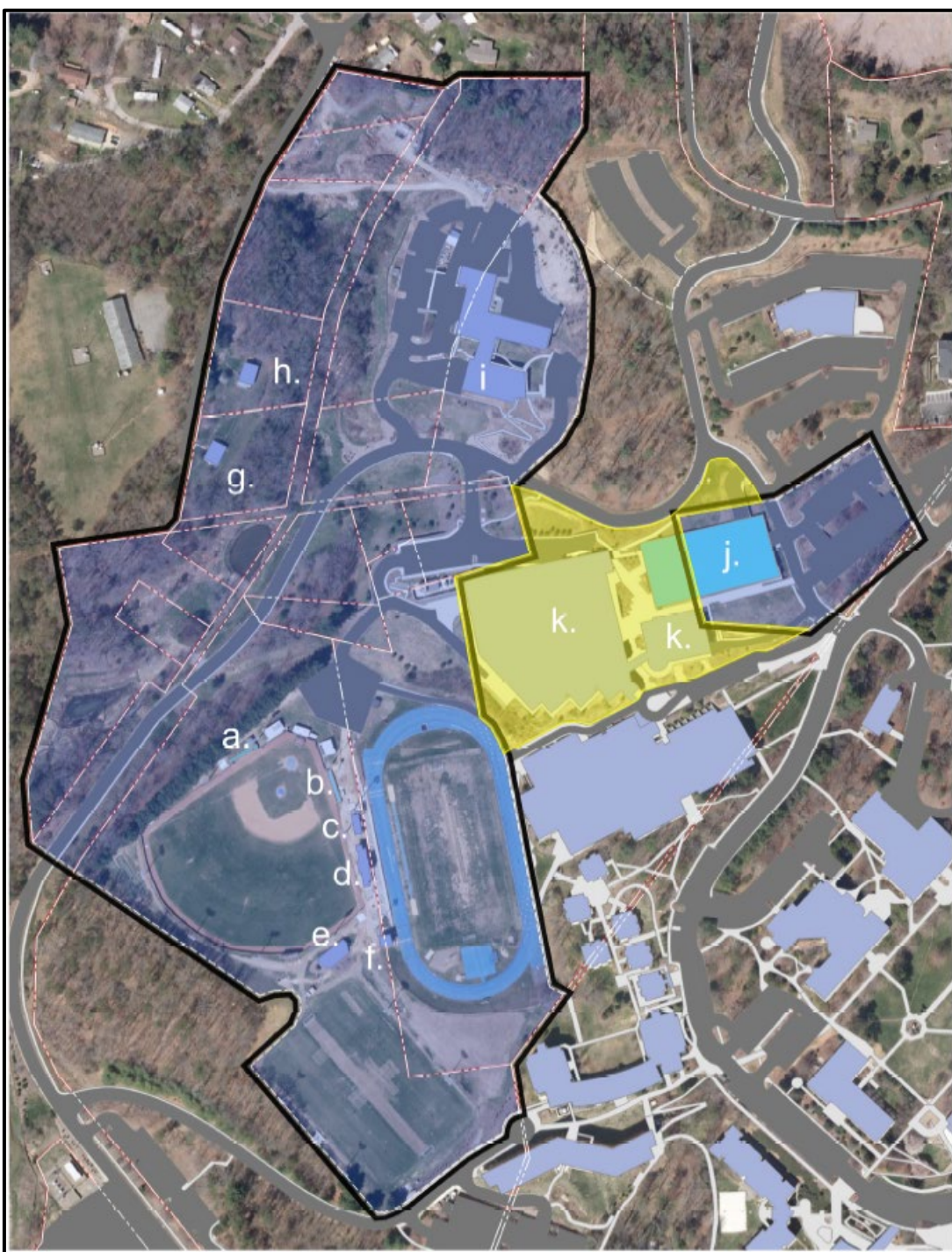
# UNC Asheville Millennial Campus Expansion

- To maximize revenue potential through use of the Millennial Campus designation process, inclusion of the Sherrill Center properties is proposed
- This expansion includes the two buildings housing the North Carolina Center for Health and Wellness as well as the building housing Kimmel Arena
- This expansion does NOT include the Student Recreation Center
- Proposal was reviewed and recommended by the Budget & Finance Committee of the UNCA Board of Trustees and approved by the Board of Trustees in a subsequent vote.
- Total current Millennial Campus acreage is 210 acres. Expansion request covers 4.45 acres.
- Expansion will greatly increase opportunities for performance-based ventures for both community efforts, such as stroke recovery and sports performance

# Exhibit A - UNC Asheville Properties

- Core Campus
- Millennial Campus
- Peripheral Properties








-  STATE OWNED PARCEL
-  STATE OWNED BUILDING
-  PROPOSED ADDITIONAL AREA FOR ZONE E

- a. BASEBALL DUGOUT
- b. BASEBALL DUGOUT
- c. CONCESSIONS BUILDING
- d. RESTROOM BUILDING
- e. SOCCER FIELDHOUSE

- f. TRACK TIMING BUILDING
- g. 48 RELIC LANE (HOUSE)
- h. 40 RELIC LANE (HOUSE)
- i. SAM MILLAR FACILITIES COMPLEX
- j. PARKING DECK P9
- k. SHERRILL CENTER

-  RECORDED PARCEL BOUNDARY
-  NON-RECORDED BOUNDARY SERVING AS MILLENNIAL CAMPUS BOUNDARY
-  MILLENNIAL CAMPUS ZONE BOUNDARY



map zone **E**  
 37.4 acres  
**UNC Asheville Millennium Campus**

## **Expansion of Millennial Campus — University of North Carolina Asheville**

### **ISSUE OVERVIEW**

G.S. 116-198.34 grants the University of North Carolina Board of Governors authority to designate real property as a millennial campus when recommended by the president. It states that “designation shall be based on an express finding by the Board of Governors that the institution desiring to create a millennial campus has the administrative and fiscal capability to create and maintain such a campus and provided further, that the Board of Governors has found that the creation of the constituent institution’s millennial campus will enhance the institution’s research, teaching, and service missions as well as enhance the economic development of the region served by the institution.”

UNC Asheville Board of Trustees is requesting an expansion of its millennial campus by 4.45 acres to increase partnership opportunities with the private sector for performance-based ventures. The expansion area is located on the main campus adjacent to the campus’ main recreation and sports facilities. The designation includes the Sherrill Center and Kimmel Arena and any associated improvements and auxiliary facilities. The Sherrill Center houses the Health and Wellness Department and the N.C. Center for Health and Wellness. The millennial campus expansion will increase opportunities for performance-based ventures such as stroke recovery and sports performance research.

The Board of Governors approved the establishment of UNC Asheville’s millennial campus on April 22, 2021. The millennial campus designation included approximately 210.17 acres.

The UNC Asheville Board of Trustees approved the recommendation to expand the millennial campus on September 22, 2023.

### **RECOMMENDATION**

It is recommended that the Board of Governors approve the millennial campus designation with the understanding that specific projects, leases, and other actions related to the millennial campus, including those on property owned by an endowment board, shall be subject to Board’s approval unless otherwise authorized by law or under delegated authority.

**AGENDA ITEM**

A-5. Authorized Use of Special Obligation Bonds “Commercial Paper” –  
NC State University.....Jennifer Haygood

**Situation:** NC State University (“NC State”) requests that the University of North Carolina Board of Governors authorize NC State to finance, under its existing commercial paper program, all, or a portion of the costs of the capital improvement projects previously approved by the Board of Governors and authorized by the North Carolina General Assembly under S.L. 2023-66 (HB 364).

NC State requests authorization to fund from its commercial paper program in an aggregate principal amount not to exceed \$52 million for the purposes of (1) financing \$29.6 million for the acquisition of University Towers and (2) financing up to \$22.4 million for renovations.

**Background:** The Board of Governors is authorized to issue special obligation bonds and bond anticipation notes for capital improvements projects that have been approved by the North Carolina General Assembly. All projects in this request have been previously approved by the Board of Governors and were approved by the General Assembly under S.L. 2023-66 (HB 364).

**Assessment:** The Board of Governors previously issued the NC State University General Revenue Bond, Series 2002A, to establish a commercial paper program to provide interim financing for certain projects for NC State. Amounts outstanding under the commercial paper program are repaid from time to time from university funds or from proceeds of long-term financings. This request would authorize NC State to finance the University Towers project approved under S.L. 2023-66 (HB 364) under its existing commercial paper program.

NC State currently has an issuer credit rating of “Aa1” with a stable outlook by Moody’s Investor Service and an issuer credit rating of “AA” with a stable outlook by Standard & Poor’s Global Ratings. NC State is currently not rated by Fitch Ratings. The transaction is expected to have no impact on NC State’s credit ratings.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **Authorized Use of Special Obligation Bonds “Commercial Paper” – NC State University**

### **ISSUE OVERVIEW**

The University of North Carolina Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the North Carolina General Assembly. Although a specific source of funding is used by an institution when retiring these bonds, special obligation bonds are generally payable from all campus revenues excluding tuition, state appropriations, and restricted reserves.

The Board of Governors previously issued the NC State University General Revenue Bond, Series 2002A (the “Commercial Paper”) to establish a commercial paper program to provide interim financing for certain projects for the North Carolina State University (“NC State”) that have been previously approved by the Board of Governors and the General Assembly. Amounts outstanding under the commercial paper program are repaid from time to time from university funds or from proceeds of long-term financings.

NC State requests permission from the Board of Governors to finance under its commercial paper program all or a portion of the costs of the acquisition and renovations previously approved by the Board and authorized by the General Assembly under S.L. 2023-66.

NC State requests authorization to fund Commercial Paper in an aggregate principal amount not to exceed \$52 million for the purposes of (1) financing \$29.6 million for the acquisition of University Towers and (2) financing up to \$22.4 million for renovations.

NC State currently has an issuer credit rating of “Aa1” with a stable outlook by Moody’s Investor Service and an issuer credit rating of “AA” with a stable outlook by Standard & Poor’s Global Ratings. NC State is currently not rated by Fitch Ratings. The transaction is expected to have no impact on NC State’s credit ratings.

Parker Poe is bond counsel, and First Tryon Advisors is the financial advisor.

### **RECOMMENDATION**

It is recommended that the president of the University, or his designee, be authorized to utilize Commercial Paper to finance the previously approved projects through the attached resolution.



**RESOLUTION OF THE UNIVERSITY OF NORTH CAROLINA BOARD OF  
GOVERNORS AUTHORIZING SPECIAL OBLIGATION BOND PROJECTS FOR  
NC STATE UNIVERSITY**

**WHEREAS**, by Chapter 116 of the General Statutes of North Carolina, The University of North Carolina Board of Governors (the "*Board*") is vested with general control and supervision of the constituent institutions of the University of North Carolina System (the "*UNC System*"); and

**WHEREAS**, the Board is authorized by Chapter 116D of the General Statutes of North Carolina to issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing a special obligation bond project and refunding bonds for the purpose of refunding any bonds by the Board under the Article or under any Article of Chapter 116 of the General Statutes, including the payment of any redemption premium on them and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

**WHEREAS**; the Board has previously issued the University of North Carolina System Commercial Paper Bonds (UNC-Chapel Hill/NC State) (the "*Commercial Paper*"), proceeds of which are available to North Carolina State University at Raleigh ("*NC State*") in order to finance the costs of certain projects on the campus of NC State;

**WHEREAS**; the Board has determined to add to the list of projects eligible to be financed with the proceeds of the Commercial Paper and any other special obligation bonds (collectively, the "*Bonds*") issued by the Board on behalf of NC State, the projects approved by the North Carolina General Assembly in S.L. 2023-66, AN ACT TO AUTHORIZE THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND OR THE STATE CAPITAL AND INFRASTRUCTURE FUND, OF CERTAIN CAPITAL IMPROVEMENT PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA AND TO AUTHORIZE THE TRANSFER OF PERSONAL PROPERTY BETWEEN CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA, and listed in Exhibit A to this resolution (collectively, the "*Special Obligation Bond Projects*"); and

**WHEREAS**, under the General Trust Indenture dated as of October 1, 2001 (the "*NC State General Indenture*") between the Board and U.S. Bank National Association, as successor trustee, special obligation bonds issued under the NC State General Indenture are payable solely from any funds of NC State or the Board in each Fiscal Year remaining after satisfying obligations of NC State or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt as of the date of the NC State General Indenture with respect to NC State, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by NC State students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, (4) revenues generated by Special Facilities (as defined in the NC State General Indenture) and (5) funds restricted by law (the "*NC State Available Funds*");

**NOW, THEREFORE, BE IT RESOLVED** by The University of North Carolina Board of Governors as follows:

Section 1. **Authorization of Special Obligation Bonds Projects.** That the Board hereby approves and ratifies the use of the proceeds of the Bonds for the Special Obligation Bond Projects listed in Exhibit A to this resolution and the costs of issuance related to the Bonds.

Section 2. **Sufficiency of Available Funds.** That the Board hereby finds that sufficient NC State Available Funds are available to pay the principal of and interest on the Bonds attributable to NC State and to provide for the maintenance and operation of the facilities at NC State to the extent required under the NC State General Indenture.

Section 3. **Conflicting Provisions.** All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 4. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

*PASSED, ADOPTED, AND APPROVED* this 16th day of November, 2023.

STATE OF NORTH CAROLINA )  
 )  
COUNTY OF WAKE )

SECRETARY'S CERTIFICATE  
OF AUTHENTICATION

SS:

I, Meredith R. McCullen, Associate Vice President and Secretary of the University of North Carolina System, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by The University of North Carolina Board of Governors at its meeting on November 16, 2023 and appearing in the minutes of such meeting, (2) notice of the meeting of The University of North Carolina Board of Governors held on November 16, 2023 was sent to each member of the Board, and (3) a quorum was present at the meeting on November 16, 2023 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina System this \_\_\_\_ day of \_\_\_\_\_, 2023.

[SEAL]

\_\_\_\_\_  
Associate Vice President and Secretary of the University  
of North Carolina System

## **EXHIBIT A**

### **NC STATE PROJECTS**

The following projects at NC State approved by the North Carolina General Assembly in S.L. 2023-66, AN ACT TO AUTHORIZE THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND OR THE STATE CAPITAL AND INFRASTRUCTURE FUND, OF CERTAIN CAPITAL IMPROVEMENT PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA AND TO AUTHORIZE THE TRANSFER OF PERSONAL PROPERTY BETWEEN CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA, are added to the list of projects eligible to be financed with proceeds of special obligation bonds issued by The University of North Carolina Board of Governors on behalf of NC State:

University Towers - Acquisition and Renovation (\$52,000,000)

**AGENDA ITEM**

A-6. Capital Improvement Projects..... Katherine Lynn

**Situation:** Appalachian State University has requested three new capital improvement projects and Appalachian State University, East Carolina University, and North Carolina School of Science and Mathematics have requested increased authorization for three capital improvement projects.

**Background:** The University of North Carolina Board of Governors may authorize capital construction projects at University of North Carolina System institutions using available funds.

**Assessment:** App State, ECU, and NCSSM are requesting projects that meet statutory requirements. It is recommended that the Board approve the projects and the method of funding. It is further recommended that these projects be reported to the North Carolina Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## Capital Improvement Projects – Appalachian State University, East Carolina University, and North Carolina School of Science and Mathematics

### ISSUE OVERVIEW

University of North Carolina System institutions are required to request authority from the University of North Carolina Board of Governors to proceed with non-appropriated projects using available funds (non-general funds). Non-appropriated capital projects are funded by the institution and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings.

Three UNC System institutions have requested six capital improvement projects: three new projects and three projects for increased authorization.

### I. NEW PROJECTS

Institution/Project Title	Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
<b>Appalachian State University</b>				
1. App Heights New Steam Feed	\$2,800,000	\$0	\$2,800,000	Trust Funds
2. Holmes Center Office Renovation	\$1,450,571	\$0	\$1,450,571	Donations and Gifts
3. Campus Dining Retail Upgrades	\$3,000,000	\$0	\$3,000,000	Dining Reserves
<i>App State Subtotal</i>	<i>\$7,250,571</i>	<i>\$0</i>	<i>\$7,250,571</i>	
<b>Grand Total</b>	<b>\$7,250,571</b>	<b>\$0</b>	<b>\$7,250,571</b>	

### II. INCREASED AUTHORIZATION

Institution/Project Title	Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
<b>Appalachian State University</b>				
4. Holmes Convocation Center Fire Alarm Replacement	\$2,531,676	\$1,031,676	\$1,500,000	Carry-forward
<i>App State Subtotal</i>	<i>\$2,531,676</i>	<i>\$1,031,676</i>	<i>\$1,500,000</i>	
<b>East Carolina University</b>				
5. Chilled Water Extension to Whichard & Graham	\$7,005,200	\$6,475,000	\$530,200	SCIF (92%)/ Carry-forward (8%)
<i>ECU Subtotal</i>	<i>\$7,005,200</i>	<i>\$6,475,000</i>	<i>\$530,200</i>	
<b>North Carolina School of Science and Mathematics</b>				
6. Residence Hall Renovations	\$33,300,500	\$6,180,100	\$27,120,400	SCIF (87%)/Donations and Gifts (13%) (Fund Source Change)
<i>NCSSM Subtotal</i>	<i>\$33,300,500</i>	<i>\$6,180,100</i>	<i>\$27,120,400</i>	
<b>Grand Total</b>	<b>\$42,837,376</b>	<b>\$13,686,776</b>	<b>\$29,150,600</b>	

**RECOMMENDATION**

All projects and associated funding sources are in compliance with G.S. 143C-8-12 (State Budget Act).

It is recommended that these projects be authorized and reported to the North Carolina Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**III. REPORTING**

The following projects are being reported to the Board of Governors and Fiscal Research Division in compliance with GS 143C-8-13 (d) which permits Chancellors to authorize Repairs and Renovation projects less than \$600,000 in thirteen allowable categories.

Institution/Project Title	Amount	Fund Source	R&R Category	
<b>University of North Carolina at Pembroke</b>				
1.	Old Main Mass Communications Studio Upfit	\$416,988	General Fund Appropriations	(4) Repairs to or installation of new electrical, plumbing, and heating, ventilating, and air-conditioning

\*Reported originally at \$299,460 in July 2022, this report reflects an increased project cost.

**AGENDA ITEM**

A-7. Disposition of Property by Demolition — East Carolina University ..... Katherine Lynn

**Situation:** East Carolina University Board of Trustees requests authorization for disposition of property by demolition of the Medical Pavilion Complex, 1800 West Fifth Street, Greenville, NC.

**Background:** The Medical Pavilion Complex is approximately 18,227 gross square feet (GSF) and was formerly a medical office building. The building was constructed in 1961 and purchased by the ECU Physicians in 2013 for use by various Health Sciences departments. A major water leak occurred in February 2023 making the building uninhabitable, and all former occupants have been permanently relocated. Demolition of the building is necessary to remove future maintenance liabilities and improve campus safety. The estimated replacement value is \$3.185 million.

The ECU Board of Trustees approved the disposition by demolition on August 10, 2023.

**Assessment:** The building is beyond its useful life and no longer serviceable.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.



## **Disposition of Property by Demolition — East Carolina University**

### **ISSUE OVERVIEW**

The University of the North Carolina System institutions are required to request authority from the University of North Carolina Board of Governors to proceed with certain acquisitions and dispositions of real property.

The East Carolina University Board of Trustees requests authorization for disposition by demolition of the Medical Pavilion Complex at 1800 West Fifth Street, Greenville, NC. The building is a former medical office building that was constructed in 1961 and is approximately 18,227 gross square foot. The building was purchased by the ECU Physicians in 2013 and has been used by various Health Sciences departments. The estimated replacement value is \$3.185 million.

In February 2023, a major water leak occurred causing extensive damage and making the building uninhabitable. A preliminary evaluation has determined that an extensive renovation would be required to remove asbestos materials, upgrade to Americans with Disabilities Act (ADA) accessibility requirements and comply with current life safety code requirements. All former occupants have been permanently relocated, and the building is vacant. ECU requests authorization to demolish the facility to mitigate any future maintenance liabilities and improve campus safety.

The ECU Board of Trustees approved the disposition by demolition on August 10, 2023. The demolition costs will be paid by the ECU Health Physicians Health Plan.

### **RECOMMENDATION**

It is recommended that the Board of Governors approve this request. This item requires approval by the Council of State.

**STATE OF NORTH CAROLINA  
DEPARTMENT OF ADMINISTRATION  
DISPOSITION OF REAL PROPERTY**

Institution or Agency: **East Carolina University**

Date: **September 26, 2023**

The Department of Administration is requested, as provided by GS §146-28 et seq., to dispose of the real property herein described by *purchase, lease, rental, or other (specify)*. **Demolition**

This disposition is recommended for the following reasons:

**Demolition is needed to remove uninhabitable building from the site.**

Description of Property: *(Attach additional pages if needed.)*

**The Medical Pavilion Complex Buildings located at 1800 West Fifth Street were built in 1961. The 10 buildings comprise 18,227 SF. The SPO Building Asset IDS are: 5878, 6074, 7234, 7372, 7508, 7645, 7781, 7908, 8022, 13974/ DAVE Bldg. Nbr 99. ECU Physicians purchased the last building on the property in 2013 where it housed various Health Sciences departments. Presently, all occupants moved out the building due to a major facility issue that occurred February 2023 which renders the building uninhabitable.**

Estimated value: \_\_\_\_\_

Where deed is filed, if known: **Pitt County**

If deed is in the name of agency other than applicant, state the name:

**N/A**

Rental income, if applicable, and suggested terms:

**N/A**

Funds from the disposal of this property are recommended for the following use:

**N/A**

*(Complete if Agency has a Governing Board.)*

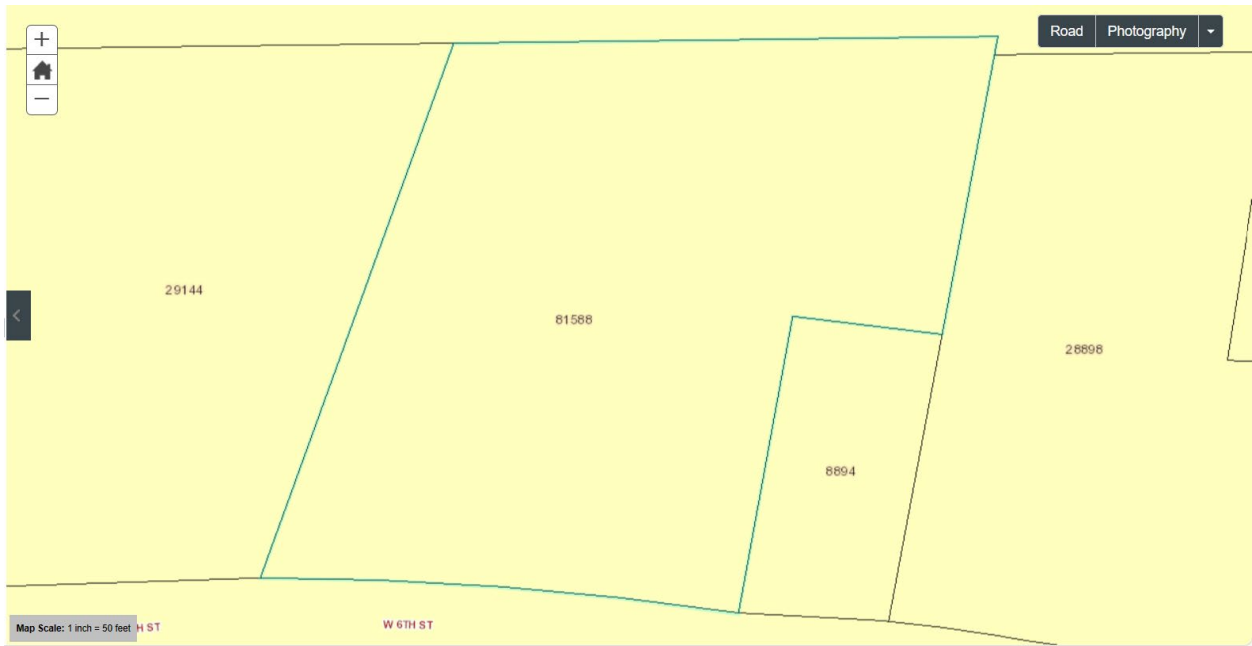
Action recommending the above request was taken by the Governing Board of **Trustees** and is recorded in the minutes thereof on **August 10, 2023** *(date)*

Signature: \_\_\_\_\_

**Philip Rogers  
Chancellor**



GENERAL LOCATION MAP



East Carolina University Medical Pavilion Complex  
1800 W. Fifth Street