Overview: 2012-2013 UNC-System Wide Student Health Insurance Plan July 2012

The original UNC System Student Health Insurance (SHI) plan was formed beginning with the 2005-2006 plan year. Six of the sixteen UNC campuses joined the original consortium and the plan was administered by Pearce & Pearce. All six campuses were "hard waiver" plans, i.e., a student must have a "creditable coverage" plan. If a student already had "creditable coverage" then the student could "waive out" of the UNC plan.

Each of the six campuses independently chose their plan's maximum benefit level, eligibility criteria for who could participate, and the deductibles and co-pays used in their campus plan. As a result, campus plans and premiums in the consortium varied greatly. Of the ten campuses that chose not to be in the consortium, one used a hard waiver model and nine used a voluntary model with coverage through other student health insurance providers.

Over the next four academic years (i.e., 2006-2007, 2007-2008, 2008-2009, 2009-2010), seven additional UNC campuses joined the UNC SHI consortium. Thus, in 2009-2010, there were 13 schools in the consortium with 11 using a hard waiver model and two using a voluntary model. Each campus continued to independently choose their plan's characteristics, therefore, campus plans and premiums continued to vary greatly in quality and price. The only premium increases during this 4-year annual renewal period with Pearce & Pearce were a result of enhanced benefits chosen by the campuses. The three campuses that chose not to be in the consortium had voluntary plans through another student health insurance provider.

As a result of a UNC Board of Governors decision in August 2009, all 16 UNC institutions began using a hard waiver model starting in 2010-2011. Thus, UNC-CH, NCSU, ECU, ASU, and UNCW moved from a voluntary plan to a hard waiver plan. The hard waiver model allows students to have access to more comprehensive coverage at a significantly reduced rate when compared to voluntary plan pricing. After a full RFP process and review, a contract with an annual renewal provision was awarded to Chartis, who had become the parent company of Pearce & Pearce in February 2010.

In the first year of the UNC System-Wide Hard Waiver Student Health Insurance plan in 2010-2011, all 16 campuses moved to a common base plan and campus chosen benefit enhancement options. The five campuses that used a voluntary model prior to 2010-2011 brought a large number of new student participants, especially graduate students, to the system-wide hard waiver model. System-wide participation levels more than doubled from 2009-2010 to 2010-2011. In addition, the average age of students enrolled in the plan increased. Together, these factors significantly changed the underlying demographics when compared to the first five years of the consortium (2005-2010). In combination with the excellent benefits package, this led to increased claims in 2010-2011 and resulted in an increase in the 2011-2012 premiums. Approximately 30% of UNC students enrolled in the UNC SHI and 70% waived out of the plan during the first two years of the system-wide plan.

Until UNC went to the system-wide hard waiver model in 2010-2011, there was no system-wide claims data available for hard waiver participation. As a result of the continually evolving utilization patterns, UNC, Chartis, NCDOI¹, NCAIA², and the 16 campuses began discussions in fall 2011 on cost containment measures, potential areas of redesign for the plan (e.g., premiums based on age-banding vs. a composite rate vs. undergraduate and graduate rates), the effects of the anticipated Patient Protection and Affordable Care Act (PPACA) requirements in the U.S. Department of Health and Human Services' (HHS) Notice of Proposed Rule Making released in February 2011, improvements in SHI plan processes, and renewal options for 2012-2013.

Building on these discussions, the 2012-2013 plan renewal review began in early February 2012. As those discussions were underway, the long awaited Final Rules for Student Health Plans from HHS were released on March 21, 2012. The regulations included detailed requirements that needed to be reviewed, interpreted, and priced. Discussions across UNC centered on how to adjust the SHI benefits for 2012-2013 to comply with the HSS regulations, continue the base benefits from the first two years of the system-wide plan, assess co-pay and deductible options, and focus on cost containment strategies.

The 2012-2013 renewal discussions examined the loss ratio (medical claims divided by premiums collected) that exceeded 118% for the UNC plan for 2010-2011 (i.e., for every dollar of premium collected more than \$1.18 of medical claims was paid out). The contracted loss ratio was 77% for 2010-2011 and 2011-12. The 2011-2012 loss ratio is currently trending at more than 165%. These increases far exceed industry expectations of medical trend of 8.5% and expected loss ratio levels of between 80%-85%.

In order to meet the PPACA requirements as described in the HHS regulations, the 2012-2013 SHI was enhanced in the areas of prescription drugs and preventive care. UNC, NCAIA, NCDOI, and the 16 campuses were all involved in the selection of benefits after each plan change and pricing option were reviewed. Each campus was informed by their various campus stakeholders and student groups through local campus discussions of the various options.

Chartis determined the impact of the HHS regulations was an increase of +12% to the 2011-2012 premium and the remainder of the 2012-2013 premium increase was driven by past claims utilization. The 2012-2013 benefits and premiums were finalized in early May 2012 with a common benefits plan for all 16 campuses and a common premium of \$1,418 per year (\$709 per semester or \$118 per month) for all students (i.e., undergraduate and graduate). Included in this total is \$10 per semester that goes to the campus to support insurance associates who administer the SHI on campus.

The UNC consortium has, from its beginning in 2005, no provision for UNC or it campuses to "make money" off the plan. All premiums collected are embedded in the company's loss ratio projections for payment of claims and claims support services. In addition, since its inception, the UNC consortium permits a student the opportunity to purchase creditable coverage student

health insurance in the private market if the student believes the benefit plan and pricing found there is more desirable than the UNC plan.

Note: The ruling by the U.S. Supreme Court on June 28, 2012, upheld the need to make the 2012-13 SHI benefits compliant with PPACA and the HHS regulations.

¹ NCDOI is the North Carolina Department of Insurance.

² NCAIA is the North Carolina Association of Insurance Agents who serves as the agent of record for UNC. They receive 1% of the premiums collected to serve as UNC's agent.