To Self-Insure or Not to Self-Insure...
That is the Question

Presentation to the American College Health Association
Cornell University and Harvard University
June 2, 2016, 8 – 9:30am
First, a disclaimer

- Presentation is from speakers’ experience
  - Day to day experience – college health, health plan oversight

- Consult with your own institution’s legal counsel, risk management or other appropriate officials in determining management of student health plan
Goals and Objectives

1. Discuss pros/cons fully insured vs. self insured

2. Review newbie school experience vs. seasoned school

3. Identify governance structure for a Self Insured Plan

4. Review regulatory considerations

5. Identify key factors/consideration in operating a self insured plan
A few helpful definitions

- **Self-insured (aka self funded)**
  - The sponsor of the health benefits plan (the College or University) assumes the liability and risk of the plan
  - The sponsor collects premiums from enrollees and takes on the responsibility of paying students’ and dependents’ medical and prescription claims
  - The sponsor contracts for insurance services such as enrollment, claims processing, and provider networks with a third party administrator, or they can be self-administered.

- **Fully-insured**
  - Sponsor pays a premium to the health insurance carrier – carrier assumes the risk and builds profit margin into premiums
  - Premium rates are fixed for the year
  - Insurance carrier collects premium and pays health care claims
• **ASO – Administrative Services Only**
  - An arrangement in which an employer hires a third party to deliver administrative services to the employer such as claims processing and billing; the plan sponsor bears the risk for the claims

• **Stop-loss coverage**
  - A form of reinsurance for self-insured employers that limits the amount the employers will have to pay for each person’s health care or for the total expenses of the employer

• **IBNR – Incurred but not reported**
  - Reflects services that have been rendered but not yet billed to the insurance plan

• **MLR – Medical Loss Ratio**
  - The percent of premium an insurer spends on claims and expenses as compared to the total premium collected

• **MEC – Minimum Essential Coverage**
  - Certification granted to self funded plans who meet ACA requirements for individual mandate
The Pros and Cons of Self-Insuring

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ Full control over plan</td>
<td>✗ Institution owns full financial risk</td>
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</table>
| ✔ Fiduciary Responsibility/ Stewardship  
  • special expertise  
  • proactive program management | ✗ Schools may not be resourced for it |
| ✔ Direct benefit to students through reduced cost, maximization of fiscal return and reserves | ✗ Requires actuarial expertise to evaluate trends, claims, member risk profiles |
| | ✗ Need adequate reserves or a plan to build reserves |
What to know before starting
(Or - Recognize what you are getting yourself into!)

Legal review
- Review your state insurance law
- Seek legal consultation
- FORC: Federation of Regulatory Council (www.FORC.org)

Review your school environment
- Hard waiver requirements (NY = no; MA = yes)
- Waiver standards (Checklists online)
- Predictable and stable enrollment
- Undergrad vs grad students
- Dependents eligible for coverage
- International students
- Level of school funding

Assess costs vs benefits
- Model potential savings
- Compare to investment infrastructure needs
Self-insured plans are regulated in a different manner

<table>
<thead>
<tr>
<th>Self-insured</th>
<th>Fully-insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Essential Coverage (MEC) application</td>
<td>N/A (Insurance Vendor responsible)</td>
</tr>
<tr>
<td>submitted to CMS (IRS MEC reporting – 1095B)</td>
<td></td>
</tr>
<tr>
<td>Technically neither “group” or “individual” plan</td>
<td>Considered “individual” plans by ACA and must follow all</td>
</tr>
<tr>
<td></td>
<td>marketplace regulations</td>
</tr>
<tr>
<td>Varies by state interpretation</td>
<td>Individual market – with various</td>
</tr>
<tr>
<td></td>
<td>interpretations of rules by state</td>
</tr>
<tr>
<td>ACA Taxes – ?</td>
<td>ACA Taxes – 3-5%</td>
</tr>
</tbody>
</table>

By HikingArtist.com
Two different school perspectives

Cornell University

Harvard University
Cornell University

- Overview of Cornell University
  - Land grant institution established 1865
  - Mixture of Public and Private
  - Residential Campus
  - Robust integrated student health center

- Student Enrollment at University 22,000
  - 65% Undergraduates, 35% Graduate and Professional
  - 78% Domestic, 22% International
  - 50% of Undergrads – on Financial Aid
Cornell University

- Rurally Isolated – Ithaca, New York
  - Located in the Finger Lakes
  - 4 hours to NYC
  - 30,000 College Students between IC and CU
  - 30,000 year round residents

- One Hospital
  - Limited Insurance participation by medical community
  - Challenging transportation
  - Shortage of certain specialists (e.g., derm)
• Overview of Student Health Plan
  o Governance – Student Health Plan Advisory Committee
  o Hard waiver since 1972
  o 100% waiver audit, International student insurance mandate
  o Meets ACHA Standards for Student Health Insurance Coverage
  o Platinum level plan
  o SHP M – NYSDOH pays SHP premium for NYS Medicaid eligible students

• 52% of Student Body enrolled on Student Health Plan
  o 85% of the total Graduate and Professional Students
  o 35% of the Undergraduate population
  o Spouse and Dependent Plan offered (small enrollment) < 100
  o Optional Dental and Vision plans offered (870 Dental and 400 Vision)
Cornell University: Journey to Self Funding
A Newbie’s Testimonial

• 2010 – Legal Review of regulatory landscape
  o NYS Insurance Law
    – Do not pass GO – Self funding of Student Health Plans Prohibited
  o CU Government Relations Engaged
  o External legal counsel hired (FORC)

• 2011
  o 4 NYS Schools band together to pass a law
Cornell University: Journey to Self Funding
A Newbie’s Testimonial

- June 2012 – Amendment to NYS Insurance Law passed

- January 2013 – Law in effect
Cornell case study

- Once law was passed .... The Journey began....
  - Face to face meeting with regulators
  - Two full years before approval
  - SHP M lined up for go live with approval

- Partnered heavily with existing insurer
  - Rewrote plan document – NYS model language
  - Individual Plan Rules – State benchmark plan
Cornell case study

Requirements for approval from New York State Department of Financial Services (DFS) for Certificate of Coverage

• Administrative Services Only (ASO) agreement letter
  o Per member per month - fixed fee
• Stop loss insurance
• Accounting Methodology and proof of reserving
  o Fiduciary Stewardship - Accounts purposed only for SHP
    – IBNR Reserve
    – Contingency reserve
    – Accounting Methodology filed
    – University financial statement and year end reporting
    – Medical Loss Ratio: 82%
Cornell case study

• 2014 – 2015 Plan year
  o Spring 2014 - Renewal for fully insured developed in parallel with pricing methodology for self funded

• Used fully insured rate, applied savings (reduced taxes and retention) to rate stabilization and contingency to develop reserve for Student Health Plan

• Actuary – to develop rate for self insurance
  o Rate Components
    – ASO fee – fixed per member per month
    – Stop Loss – fixed per member per month
    – Legal, Actuarial and Consulting Fees ( e.g. IRS reporting, Compliance reporting)
    – In-house – Data Analytics, compliance, operations
    – Rate Stabilization
    – Rate Contingency
Cornell case study

• Spring 2014
  o NYSDOH Approved SHP M – AV letter was >92% - contingent on approval of Self Insured Plan by DFS
  o Amended law for technical correction – (institutional solvency)

• July 2014
  o Awarded Certificate of Coverage from NYS DFS to operate a Self Insured Student Health Plan – began August 2014
Cornell case study

Illustration of savings over time

Comparison of Fully Insured to Self Insured Health Plan
Cornell case study

• 2014-15 - First year results
  o $4M retained earnings
  o Recovered initial investment in reserving
  o Established stabilization reserve for health plan –invested for SHP
  o Retention moved from 17.5% to 10%

• 2016-17 – year 3 of operating self insured plan
  o Data Analytics
  o 4.3% Rate Increase
  o Reserves developed
Harvard University

• Overview of Harvard
  o Established 1636
  o 12 degree-granting schools
  o $37.6B endowment at year-end FY15; consists of 13,000 funds, of which ~80% restricted
  o Strong “ETOB” culture- Every Tub on its Own Bottom

• Overview of Cambridge / Boston medical environment
  o Urban setting
  o Many provider options and hospitals
  o Very high provider costs
Harvard University

• Overview of HUSHP
  o Two components:
    o Student Health Fee (SHF)
    o Student Health Insurance Plan (SHIP)
  o Self-insured for 15+ years
  o AY15 plan expenses totaled ~$37M

• Overview of SHIP
  o 80% of enrollees are grad students
  o 80% of graduate students keep SHIP
  o 40% of undergrads keep SHIP

• MA regulatory environment engaged but not overly burdensome
  o Hard waiver required; annual filing required
  o State determines criteria for comparable coverage
  o Rich state benchmark plan forces benefit coverage: Fitness reimbursement benefit required
Harvard University

• Manages University-owned self-insured employee plan
  – Economies of scale in a variety of functions (Plan Operations, Member Services, Finance, Administration)
  – Large team dedicated to health plans (10 FTEs solely focused on plans; several Clinic FTEs contribute portions of time)
  – Extensive analytics, access to data

• Developed tools to better manage the plans and members
  – Customized CRM tool to manage enrollment and member interactions
  – Direct access to BCBS claims database to facilitate member claims issues
  – Phone and CRM dashboards to monitor key metrics and identify areas for improvement
### Harvard University

**Student rate trend (AY2008-2017)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Premium Change</th>
<th>Health Fee Change</th>
<th>Insurance Plan Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>AY08</td>
<td>7.0%</td>
<td>2.6%</td>
<td>12.0%</td>
</tr>
<tr>
<td>AY09</td>
<td>1.5%</td>
<td>0.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>AY10</td>
<td>0.4%</td>
<td>-21.0%</td>
<td>22.1%</td>
</tr>
<tr>
<td>AY11</td>
<td>4.0%</td>
<td>3.6%</td>
<td>4.3%</td>
</tr>
<tr>
<td>AY12</td>
<td>2.2%</td>
<td>1.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td>AY13</td>
<td>2.6%</td>
<td>-21.6%</td>
<td>18.2%</td>
</tr>
<tr>
<td>AY14</td>
<td>1.6%</td>
<td>3.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>AY15</td>
<td>6.7%</td>
<td>3.5%</td>
<td>8.0%</td>
</tr>
<tr>
<td>AY16</td>
<td>2.2%</td>
<td>5.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>AY17</td>
<td>8.3%</td>
<td>4.4%</td>
<td>10.0%</td>
</tr>
</tbody>
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**Total HUSHP Rate: 10-year CAGR**

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<th>Rate</th>
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<tbody>
<tr>
<td>AY08</td>
<td>7.0%</td>
</tr>
<tr>
<td>AY09</td>
<td>1.5%</td>
</tr>
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<tr>
<td>AY17</td>
<td>8.3%</td>
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**RX shifts from SHF to SHIP**

22% decrease in SHF
• Importance of culture
  o Plan eligibility very tightly managed
  o Policies are enforced and exceptions are not granted (e.g., missed waivers, leave of absence policies)
  o Try to avoid paternalistic atmosphere

• Constant focus on high cost claims
  o Because primary care and some specialty office visits excluded from SHIP, the base of claims is very volatile
  o Work closely with health clinic care coordination team
  o Integrated clinic / health plan
Harvard University: High cost claims

Total Medical Claims $ for all members > $70,000

<table>
<thead>
<tr>
<th></th>
<th>Total $</th>
<th># of cases</th>
<th>Top $ Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>AY11</td>
<td>$2 M</td>
<td>8</td>
<td>$670 K</td>
</tr>
<tr>
<td>AY12</td>
<td>$2 M</td>
<td>16</td>
<td>$550 K</td>
</tr>
<tr>
<td>AY13</td>
<td>$2.3 M</td>
<td>17</td>
<td>$360 K</td>
</tr>
<tr>
<td>AY14</td>
<td>$2.5 M</td>
<td>12</td>
<td>$810 K</td>
</tr>
<tr>
<td>AY15</td>
<td>$4.2 M</td>
<td>23</td>
<td>$430 K</td>
</tr>
</tbody>
</table>
Tools you need to manage a self-insured plan

- Advisory Board to vet decisions; include students, Deans, etc.
  - Set clear role for committee members – obligation is to all students
  - Mandate is to be good stewards of the plan
  - Establish principles and tools of the committee

- Stop loss insurance
  - Maintain until reserves are sufficient
  - At some point, the cost of stop-loss insurance outweighs the benefits

- Adequate reserves and overall reserve strategy
  - Bring in the experts: Actuaries!
Tools you need to manage a self-insured plan, cont.

- Strong partnership with third party administrator

- Stable enrollment (size should be a consideration)
  - Hard waivers facilitate enrollment

- Data! Data! Data!
  - Financial and claims data analyst
  - Facilitate rate-setting; understand trends; identify opportunities for cost-savings

- Reporting capabilities
Example: Harvard University: Maternity

Maternity claims and cases

<table>
<thead>
<tr>
<th></th>
<th>Total $</th>
<th># Students</th>
<th># Non-Students</th>
<th># Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AY2013</td>
<td>$2.7 M</td>
<td>70</td>
<td>91</td>
<td>161</td>
</tr>
<tr>
<td>AY2014</td>
<td>$2.6 M</td>
<td>60</td>
<td>89</td>
<td>149</td>
</tr>
<tr>
<td>AY2015</td>
<td>$3.2 M</td>
<td>77</td>
<td>97</td>
<td>174</td>
</tr>
</tbody>
</table>
Final lessons learned

- Strong governance
- Regulatory considerations
- Fiduciary responsibility
- Data analytics
- Reserving/resources to deal with bad year
Conclusion: It’s a trade-off

Moving to self-insured is not for the risk averse – or the risk averse trustees!
Thank you!

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