

February 18, 2008

Request for more information regarding UNM plan to Self-Finance Health Insurance from the Faculty Staff Benefits Committee

Preamble

Since 2004 the University has shown an intention to convert some of its insurance needs to self-funded programs. Apparently UNMH converted to a self-funded health insurance system in August, 2005 and the entire University dental insurance went self-funded some time in 2007.

At some time the University contracted Mercer Human Resource Consulting to conduct a study on Self-Funded health insurance. We do not have a copy of the Mercer Report but data from it has appeared in presentations at the University.

In the 2004 presentation to the Regents it was indicated that the RFP process would answer the question whether Self-Funding was cost-effective as well as answer other questions. The original RFP process was scheduled for Fall of 2004.

In a report to the Regents in Sept. 2005 it was stated that Risk, Safety, Health and Environmental Affairs (RHSEA) Master Plan required the creation of an infrastructure to self-insure medical benefits. This plan required the hiring of a consultant by March 30, 2006 and an RFP for a Third Party Administrator (TPA) be released Jan. 15, 2007 with a program start of July 1, 2007.

RFP no.770 for Employee Benefits Consulting Services was drafted some time at the end of 2007.

According to Elaine Phelps, Employee Benefits and Services Director with HR at UNM, there is a committee looking into self-funding issues as of January 2008.

The above summarizes what we know about Self-Funded Health Insurance at present.

Some questions to HR Committee regarding Self-Funded Health Insurance plans and processes

1. What analysis, if any, has been made of other University's experience with Self-Funded Health Insurance?
2. Where is the Mercer Report, and can we have a copy of the entire report to review and evaluate?
3. What analysis, if any, has been done of the risk profile of UNM employees currently covered by insurance? If based on historical claims data, what model is used predict future claims and consequently risk?

4. What mechanisms are being considered to control plan costs, and consequently plan premiums?

5. Assuming the University uses a Captive Company or TPA to handle the insurance, what are the estimates for the following costs?

- (i) cost of in-house administration
- (ii) cost of claims processing
- (iii) cost of re-insurance

6. What processes will be used to choose all the sub-contractors, such as TPA, claims processor, re-insurer?

7. What processes will be developed to monitor program performance? Who will be in charge of monitoring, and where will the required resources come from?

Additional questions from the Faculty Staff Benefits Committee

Does UNMH have sufficient staff to handle additional caseload?

How will insurance for non-Medicare retirees be handled especially if they live outside Albuquerque?

What is the current status of the \$4-4.5million fund being built up for self-insurance?

What is the expected impact of NM/Governor Richardson's health plan on UNM's self-insurance plans?

Will worker's compensation be affected by a self-funded insurance arrangement?

Why hasn't HR worked more closely with the Faculty Senate, the Staff Council and the FSBC on this policy?