



<b>POLICY TITLE</b>	Self-Funded Health Plan Financial Management	<b>Policy Number</b>	364
<b>Section</b>	Human Resources	<b>Approval Date</b>	February 8, 2007
<b>Subsection</b>	Compensation and Benefits	<b>Effective Date</b>	February 8, 2007
<b>Responsible Office</b>	Office of the Vice President of Planning, Budget, and Human Resources		

### 1.0 PURPOSE

1.1 Beginning in 2006–2007, UVU has chosen to partially self-fund its health plan. New policy and procedure is needed to facilitate prudent and appropriate management of financial reserves.

### 2.0 REFERENCES

2.1 *State Money Management Act of 1974, 51-7-1, et. seq.*, Utah Code Annotated, 1953, as amended

2.2 UVU Policy 205 *Investments*

### 3.0 DEFINITIONS

**3.1 Partially self-funded:** An insurance funding model wherein the University assumes the financial risk for funding health benefits for its employees by paying actual incurred claim costs and administrative fees instead of premiums fixed by an insurance carrier. Risk to the University is mitigated through the purchase of reinsurance/stop-loss insurance.

**3.2 Reinsurance/stop-loss insurance:** Specific and aggregate insurance purchased on a premium basis to protect the University against catastrophic claims, thus containing risk and facilitating financial solvency of the partially self-funded plan.

**3.3 Reserves:** Funds generated and held by the University as a cushion in the event that claims (through utilization or cost increases) exceed expected projections; expenses change as a result of revisions to laws, rules or regulations governing health plan; or the plan terminates or changes funding mechanisms.

**3.4 Plan:** The University's employee health benefits plans, including but not limited to, medical and dental plans.



**3.5 TPA (Third-Party Administrator)/ASO (Administrative Service Organization):** An organization that administers the University's partially self-funded health plans, including claim payments, processing, adjudication, reporting, documentation, etc.

**3.6 Investment of reserves:** Interest earnings or investments in stocks, bonds, mutual funds options, real estate, etc., made with the expectation of future income and capital gains and are in compliance with the *State Money Management Act of 1974*, 51-7-1, et. seq., Utah Code Annotated, 1953, as amended, and UVU Policy 205 *Investments*.

#### 4.0 POLICY

**4.1** Utah Valley University will establish and maintain adequate reserve funds and appropriate reinsurance/stop loss insurance to operate a financially stable and fiscally sound self-funded health plan. Financial management for UVU's self-funded health plan shall be under the direction of the Vice President of Finance and Administration with annual reports provided to the Board of Trustees.

#### 5.0 PROCEDURES

##### 5.1 Reserve Funding and Purpose

**5.1.1** Accumulation of reserve funds will consist of initial funds allocated at the effective date of the plan (July 1, 2006) and will grow from premium dollars in excess of actual expenses, and return on investments. At any time that reserves are not fully funded, earnings from investments of reserves must be accumulated into the reserve. When reserves are fully funded, the President may opt to redirect earnings from investments of the reserves for other University purposes in accordance with Regents policy on Institutional Interest Income.

**5.1.2** A fully-funded reserve level is equal to approximately six months of projected paid claims for the upcoming plan year.

**5.1.3** Reserves will provide a revenue source for higher-than-expected plan claims expenditures and will be available to pay claims incurred but not yet paid (run out) in the event that the University should shift to another plan funding model.

**5.1.4** Use of reserve funds is restricted to expenses related to the University's plan, including, but not limited to, claim payments, TPA/ASO administrative fees, reinsurance costs, actuary services, consulting services, and in-house plan administration.

**5.1.5** When reserves exceed the fully-funded level, excess reserves may be used to fund plan design changes, reduce premiums (temporarily or permanently), and/or be distributed to fund employee compensation changes.



**5.2 Financial Management Responsibility**

**5.2.1** Under the direction of the Treasurer, the Associate Vice President of Finance and Administration will direct and appoint the University's Self-Funding Oversight Committee. This committee shall include representatives from the Finance and Business Services, Human Resources, Budget Office, administration, and a faculty member from Accounting or Finance. The faculty representative shall be chosen in consultation with the Faculty Senate President.

**5.2.2** Financial transactions for the plan will be monitored by the Finance and Business Services and reported to the Associate Vice President of Finance and Administration.

**5.2.3** Under the direction of the University's Treasurer, an annual report on the University's self-funded health plan will be presented to the Board of Trustees.

<b>POLICY HISTORY</b>		
<b>Date of Last Action</b>	<b>Action Taken</b>	<b>Authorizing Entity</b>