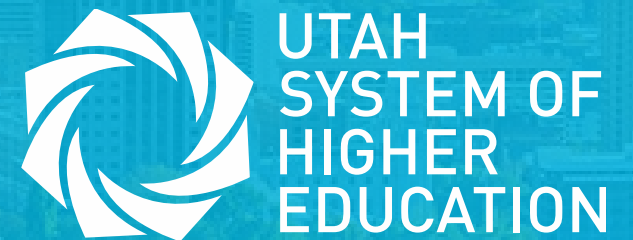


USHE Shared Services Update Employee Health Benefits

June 17, 2025



Statutory Priorities & UBHE Action

Priorities

- Commercialization
- Title IX
- Human Resources, Payroll and Benefits Administration
- Information Technology Services

OCHE & Board Action

- Recognized numerous Commercialization initiatives
 - Advanced Title IX working group and resource sharing
 - Implemented standardized payroll system for Technical Colleges
 - Commissioned feasibility analysis for shared employee health benefits
 - Supporting ongoing shared IT procurements and cybersecurity measures; exploring next steps for collective ERP
-

Feasibility Study for Consolidation of Benefits



UTAH SYSTEM OF
HIGHER EDUCATION

Milliman

JUNE 6, 2025

Overview

This report contains Milliman’s findings of the feasibility for various consolidation approaches for the benefit programs of the Utah System of Higher Education institutions.

Background

The benefit programs for Utah System of Higher Education (USHE) institutions currently utilize six different health benefit carriers, each with distinct costs, coverage options, and contract negotiation processes. The USHE includes:

- Five degree-granting institutions and one technical college that are self-insured (four of these six benefit programs have the same benefits administrator to manage their plans)
- Four degree-granting institutions (including Utah State University – Eastern) and seven technical colleges that are not self-insured and instead use traditional insurance carriers (nine of these are covered by the Public Employees Health Program (PEHP)*, two use other carriers)

This feasibility study is intended to explore the consolidation of employee benefit programs across USHE member institutions. Centralizing benefit functions across USHE institutions is anticipated to enhance system-level efficiencies and reduce aggregate health and welfare benefit program costs of USHE member institutions.

Scope of the Analysis

As requested by USHE, Milliman used data received from each of the USHE institutions to perform the following tasks:

1. Evaluate the relative value of benefits for each institution against Milliman benchmarks
2. Evaluate the current state of benefits offered to determine if there are any outliers.
3. Summarize stakeholder engagement survey results
4. Estimate the costs and benefits across a continuum of options for consolidating employer provided health benefits across USHE institutions

*PEHP, a non-profit government entity, provides medical, dental, employee life, and long-term care insurance to employees of state agencies, including some members from higher education and public education sectors. However, the Utah Public Employees’ Benefit and Insurance Program Act prevents PEHP from insuring larger public higher education institutions in Utah.

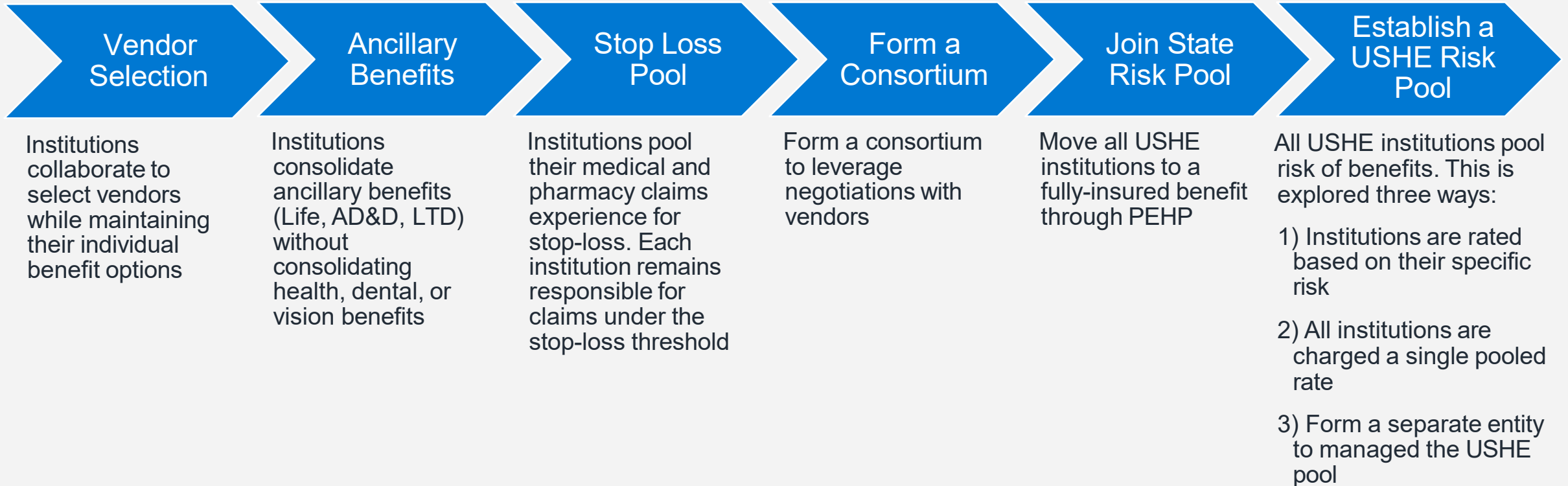
Summary of Health Benefit Program by Institution

Since the majority of benefit program cost is attributable to health benefits for medical and pharmacy coverage, this analysis primarily focuses on these benefits.

Institution	Insurance Type	TPA / Insurer	Subscriber Counts	Number of Plans	Wellness Program
Bridgerland	Fully Insured	UUHP	162	1	X
Davis	Fully Insured	PEHP	220	2	✓
Dixie	Fully Insured	PEHP	111	2	✓
Mountainland	Fully Insured	PEHP	214	3	✓
Ogden-Weber	Fully Insured	Select Health	142	2	✓
SLCC	Self-Insured	Regence	1,291	2	X
Snow	Fully Insured	PEHP	348	2	X
SUU	Self-Insured	UMR	1,104	2	X
Southwest	Self-Insured	MotivHealth	64	1	X
Tooele	Fully Insured	PEHP	50	2	✓
Uintah Basin	Fully Insured	PEHP	92	2	✓
UoU	Self-Insured	Regence	15,527	2	✓
USU – Eastern	Fully Insured	PEHP	259	2	✓
USU	Self-Insured	Regence	4,384	3	✓
Utah Tech	Fully Insured	PEHP	715	2	✓
UVU	Self-Insured	Regence	2,143	2	✓
Weber State	Fully Insured	PEHP	1,650	2	✓

Consolidation Scenarios

This report explores the feasibility of each of the following consolidation scenarios for USHE member institutions, including the pros, cons, and potential financial impact of each.



Financial Modeling - Savings

The financial modeling included in this report is focused on direct savings from consolidation under various scenarios

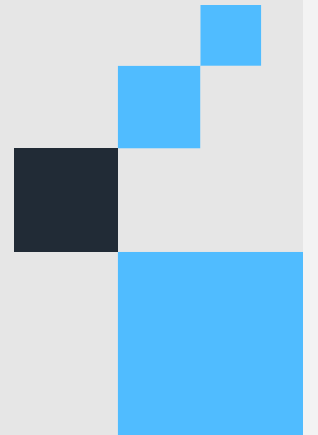
Financial Modeling - Savings

The financial impact modeled for five of the consolidation options is focused on savings that would be expected through:

- Reduced administrative expenses
 - Vendor, broker, and other professional fees
- Improved Rx rebates
- Improved contracts
- Reduced reserves due to lower claims variability
- Selection of improved vendor expenses (e.g., most competitive rates for comparable ancillary benefits)
- Removal of stop-loss insurance based on the size of a consolidated pool

There are additional areas where savings would likely be captured, but we have not included in our analysis:

- Indirect savings due to efficiencies of managing a single large H&W benefit program rather than 17 smaller, individual H&W benefit programs
 - Benefits managers and other human resource professionals carry significant responsibilities and workloads, a consolidated approach reduces their workload and frees their time for other duties
- A large organization would be able to explore options for more effective utilization and case management options that could effectively reduce claims – estimates of these savings are highly dependent upon the selection of the programs and the adopted consolidation option (such a study is beyond the scope of this assignment)
- A consolidated organization could also benefit from certain third-party platforms, based on the specific morbidity profile of the consolidated H&W program



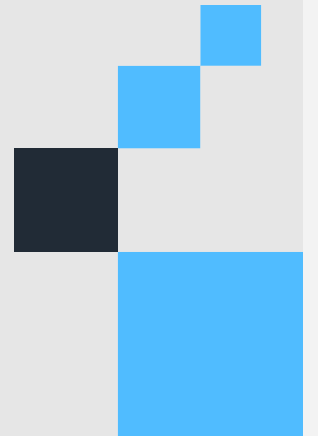
Financial Modeling - Costs

The financial modeling included in this report took into consideration costs that may be incurred through consolidation

Financial Modeling - Costs

We do not anticipate any direct costs from consolidation itself; however, we would expect that costs would arise in the event that benefits are added to or expanded from an institution's current benefit package.

- We did not model additional medical, dental, or vision costs since our recommendation would be to preserve current benefit levels as much as possible for these benefits
- We would anticipate costs for ancillary benefits since some institutions are not covering these benefits or are covering minimal levels
- In the event that USHE elects to form a separate entity to manage the consolidated risk pool, we did not include implementation costs for that entity in our financial modeling.



Consolidation Option Comparison - Pros

Pros	Consolidate for selecting vendors	Consolidate ancillary benefit(s)	Establish a stop-loss pool	Form consortium to leverage negotiations	Join State Risk Pool via PEHP	Rates vary by Institution		Pooled Rate	Form a separate entity to manage pooled risk
						Establish a risk pool for all institutions			
Reduced costs	■	■	□	■	■	■	■	■	■
Reduced administrative burden	■	■	□	■	■	■	■	■	■
Increased opportunity for selecting high-quality vendors	■	□		■		■	■	■	■
Most types of benefits can be covered directly by a single entity					■				
Reduced claims risk			■		■	■	■	■	■
Rates reflect risk of individual institutions						■			

Legend

□ Potential Pro ■ Expected Pro

Consolidation Option Comparison - Cons

Cons	Consolidate for selecting vendors	Consolidate ancillary benefit(s)	Establish a stop-loss pool	Form consortium to leverage negotiations	Join State Risk Pool via PEHP	Rates vary by Institution		Form a separate entity to manage pooled risk
						Establish a risk pool for all institutions	Pooled Rate	
Limited financial benefits / Potential for increased costs	■	■	■	■			□	
Limited administrative relief	■	■	□			■	■	
Reduced flexibility (selecting benefits, vendors, networks, business partners)	□	■		■	■	■	■	
Administrative complexity			■	■		□	□	■
Limitations on specialized approaches to manage costs or improve member experience	□	□	■	□	■			
Limited to self-insured institutions			■					

Legend

□ Potential Con ■ Expected Con

Recommendations

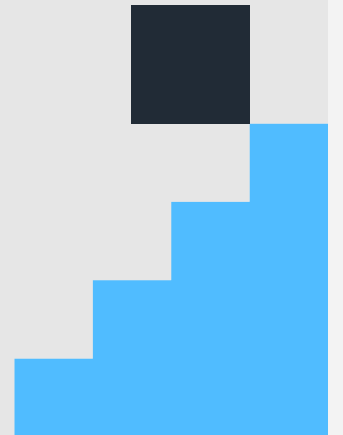


Milliman Recommendations

Establish a USHE risk pool with rates varying by institution – involving input from member institutions

Recommendations (from financial considerations)

- We recommend establishing a USHE risk pool, with rates varying by institution and involving input from each of the member institutions
- A portfolio of health plans be offered to member institutions from which institutions select 1-4 designs
- A third-party administrator(s) (TPA) be utilized to administer claims
- A wellness program option made available
- Removal of fully-insured stop-loss coverage (only if all USHE institutions participate)
- Consolidation of dental benefits, with two benefit designs offered
- Consolidation of vision benefits, with one or two benefit designs offered
- Consolidation of life insurance, disability insurance, and AD&D insurance
- Contracting with business partners who will help identify health plan financial risks to mitigate impact of cost trends on future years



Establish a Risk Pool for All Institutions – Rates Vary by Institution – Implementation & Financial Impact

Implementation notes and financial impact of consolidation

Implementation Notes

If USHE member institutions establish a single risk pool, we make the following recommendations:

- Select a managing committee who will be tasked with making benefit decisions, vendor negotiations, contracting, and employee benefit support.
- We recommend that a portfolio of plans are made available from which member institutions could select from.
- We recommend securing multiple network partners to minimize disruption to institutions employees and the respective benefit programs.
- We recommend that the pool work with a third-party for claims administration.
- Contract with a vendor who can underwrite the rates each year to ensure schools are paying rates reflecting their demographic and risk profile.

Financial Modeling Notes

- The four institutions with projected cost increases under this scenario are entities whose fully-insured rates do not wholly reflect their risk.
- No credibility adjustment was applied when developing institution-specific rates. In practice, the premium equivalent rates would be established with credibility adjustments by institution based on covered lives.

Estimated savings of

2.5%

to

7.0%

to USHE's current total health & welfare spend

13 institutions project to have cost savings
4 institutions project to have increased costs

USHE Risk Pool – Breakdown of Estimated Savings

Areas of savings estimated to establish estimates for USHE risk pool scenarios

Savings estimates

We have focused savings estimates on four key categories:

- Self-insured economies of scale
 - ASO fees
 - Professional fees (e.g., legal, brokers, consultants, etc.)
 - Claims volatility reserves (a larger pool is more stable and may allow for release of some volatility reserves)
 - Rx rebates
 - Improved contracts
- Fully insured groups transition to a self-insured structure – generally this would result in savings, but we have estimated costs in the low-end scenario since some of the PEHP groups are currently running at losses that are being absorbed by the state risk pool
- Net stop-loss expenses – removal of stop-loss for the consolidated pool results in significant savings
- Ancillary savings – a consolidated approach would result in savings for groups with ancillary benefits. If benefits are expanded so that all institutions have the same coverage, some of these savings would be offset by the cost of the expanded benefits.

Savings Category	Estimated Savings %	
	Low End	High End
Self-insured economies of scale		
ASO Fees	0.1%	0.1%
Professional Fees	0.1%	0.1%
Claims Volatility Reserves	0.0%	0.6%
Rx Rebates	1.1%	1.8%
Improved Contracts	0.0%	2.0%
Fully insured transition to self-insured	-0.1%	0.5%
Net stop-loss expenses	1.4%	1.6%
Ancillary savings	-0.1%	0.3%
Total Estimated Savings	2.5%	7.0%

Establish a USHE Risk Pool – Rates Vary by Institution

Savings / (cost) estimates by USHE institution

Institution	Medically Covered Lives	Est. Current H&W Spend PMPM*	Projected Spend PMPM Under Consolidation†		% Savings / (Cost) of Total Budget	
			Low Claims Scenario	High Claims Scenario	Low Claims Scenario	High Claims Scenario
Bridgerland	531	\$644.97	\$716.53	\$752.36	-11.1%	-16.7%
Davis	709	\$476.47	\$552.73	\$580.37	-16.0%	-21.8%
Dixie	350	\$487.43	\$453.26	\$475.92	7.0%	2.4%
Mountainland	619	\$540.71	\$472.25	\$495.86	12.7%	8.3%
Ogden-Weber	364	\$528.93	\$538.19	\$565.10	-1.8%	-6.8%
SLCC	3,115	\$654.33	\$601.82	\$631.91	8.0%	3.4%
Snow	1,410	\$451.66	\$485.63	\$509.91	-7.5%	-12.9%
SUU	3,241	\$632.44	\$597.18	\$627.04	5.6%	0.9%
Southwest	213	\$395.11	\$360.61	\$378.64	8.7%	4.2%
Tooele	170	\$488.06	\$467.46	\$490.84	4.2%	-0.6%
Uintah Basin	322	\$495.86	\$483.59	\$507.77	2.5%	-2.4%
UoU	38,234	\$705.21	\$640.82	\$672.86	9.1%	4.6%
USU – Eastern	759	\$549.74	\$518.46	\$544.38	5.7%	1.0%
USU	13,241	\$570.21	\$564.85	\$593.10	0.9%	-4.0%
Utah Tech	2,249	\$526.18	\$464.32	\$487.53	11.8%	7.3%
UVU	6,252	\$648.66	\$584.59	\$613.82	9.9%	5.4%
Weber State	4,442	\$590.01	\$548.08	\$575.48	7.1%	2.5%
Total	76,221	\$645.75	\$600.01	\$630.01	7.1%	2.4%

*Includes medical, pharmacy, dental, vision, life, AD&D, and disability expenses as well as associated administrative fees. For institutions that are currently fully-insured, the current spend is representative of the fully-insured premium. For institutions that are self-insured, the current spend is reflective of their premium equivalent

†Does not include any credibility adjustment. In practice, the premium equivalent rates would be established with credibility adjustments based on covered lives.

Next Steps

- Incorporate Legislative feedback and direction
 - Continue discussions with institutions and identify full scope of alternatives
 - Prepare Request for Proposals for implementation
-



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