

Feasibility Study for Consolidation of Benefits



UTAH SYSTEM OF
HIGHER EDUCATION

Milliman

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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

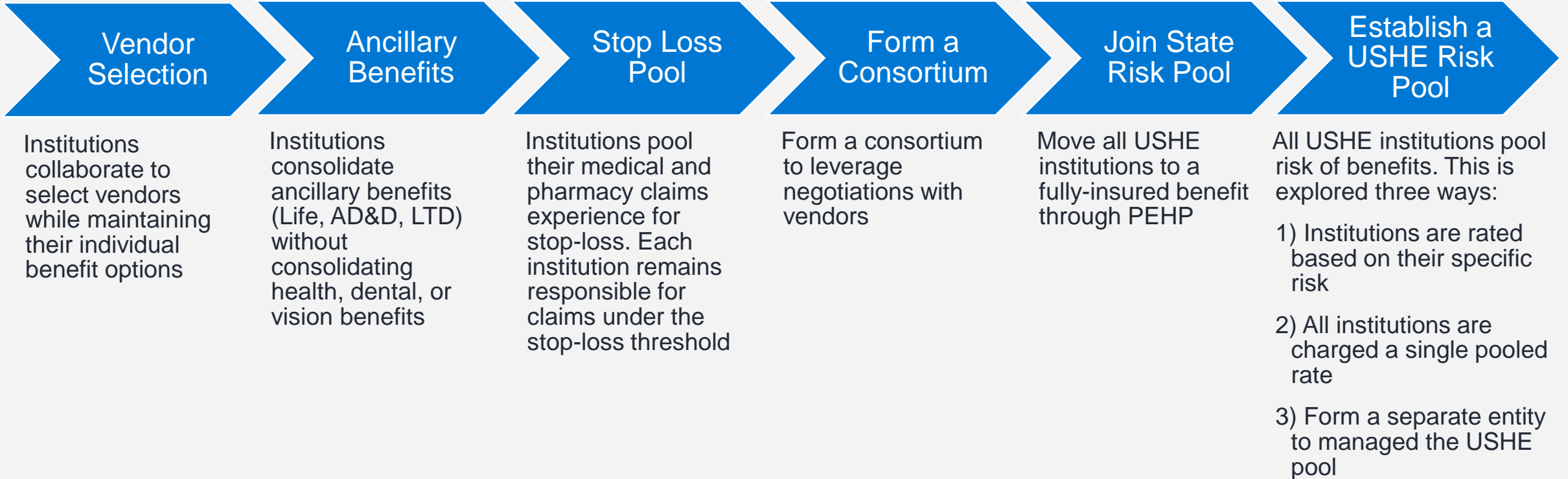
As requested by USHE, Milliman used data received from each of the USHE institutions to perform the following tasks:

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.

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.



Important Notes Regarding Consolidation Scenarios

Scenarios presented in this study have been designed to determine the feasibility of consolidation of benefit programs for USHE member institutions. These results should not be used for other purposes.

Limitation on Use of Results

These scenarios have been developed using actual historical claims experience, plan designs, and enrollment. While a necessary function of assessing the consolidation options is to estimate financial impacts, these findings should not be used for other purposes, such as budgeting or setting premiums for a future period. Those future values should be based on the most recently available data and will require final administrative expense numbers, plan designs, plan parameters (e.g., stop-loss thresholds), and selected vendors. The historical impacts of consolidated options are necessarily based on administrative expense estimates and do not reflect the final actual administrative expenses the consolidated programs would potentially procure from bidding vendors.

Selection of Consolidation Option

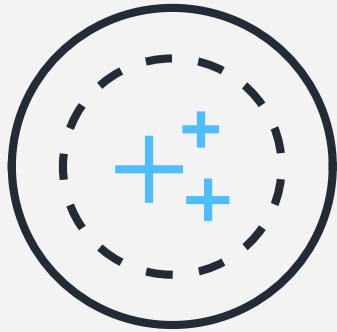
Consolidation options which include consolidation of health benefits will require a well-developed strategy providing a structure that maintains network adequacy and benefit flexibilities for smaller regional institutions. The consolidation options which include health benefit consolidation discussed in this report outline some considerations, but the final structure of the consolidated offering will be highly dependent upon the benefit and administrative partners selected by USHE under any one of these considered options.

Other Considerations

Any organization initiating changes to benefit programs or benefit administration experiences disruptions. Many of these disruptions, when managed properly, can be short-term and any lasting negative effects on the health and welfare benefits plans can be minimized. However, it is important to consider these disruptions, the impact they have on the benefits program, and the impact they have on members.

While member institutions in total should achieve reduced benefit program costs, not all scenarios will result in individual member institutions reducing their own benefit program costs. This is because individual member institutions' benefit program design, demographic risk, or morbidity risk differs from the average of the same metrics for the entire consolidated pool. The result of consolidating to the average will be that some individual institutions may observe an increase while others observe a decrease in costs. Additional steps could be taken to further reduce the overall benefit program costs, such as making plan designs leaner or lowering the levels of coverage, but these actions are not within the scope of review or recommendations. Care should be taken in evaluation of these scenarios to determine what type of benefit program cost increases are tolerable for individual member organizations.

Current Benefits



Summary of Current Benefit Programs by Institution

Benefits offered, based on data provided to Milliman by individual USHE institutions

Institution	Health (HSA)	Health (non-HSA)	HRA	Dental	Vision	Life	AD&D	Disability
Bridgerland (BTC)	✓	x	✓	✓	✓	✓	✓	✓
Davis	✓	✓	✓	✓	✓	✓	✓	✓
Dixie	✓	✓	✓	✓	✓	✓	✓	✓
Mountainland (MTC)	✓	✓	✓	✓	✓	✓	✓	✓
Ogden-Weber (OWTC)	✓	✓	✓	✓	✓	✓	N/A	✓
SLCC	✓	✓	✓	✓	✓	N/A	N/A	N/A
Snow	✓	✓	✓	✓	✓	N/A	N/A	N/A
SUU	✓	✓	✓	✓	✓	✓	✓	✓
Southwest (SWTC)	✓	x	✓	✓	✓	✓	✓	✓
Tooele (TTC)	✓	✓	✓	✓	✓	✓	✓	N/A
Uintah Basin (UBTC)	✓	✓	✓	✓	✓	N/A	N/A	N/A
UoU	✓	✓	✓	✓	N/A	✓	N/A	N/A
USU – Eastern (USU – E)	✓	✓	✓	✓	✓	✓	✓	✓
USU	✓	✓	✓	✓	✓	✓	✓	✓
Utah Tech (UTU)	✓	✓	✓	✓	✓	N/A	N/A	N/A
UVU	✓	✓	✓	✓	✓	✓	✓	✓
Weber State (WSU)	✓	✓	✓	✓	✓	N/A	N/A	N/A

x = institution indicated benefit was not covered under their current structure. N/A = institution did not provide information about these benefits.

*We have not included benefits such as pet insurance, accident insurance, critical illness benefits, or specialized mental healthcare & services outside of the health plan.

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	✓

Overview of Medical Plan Designs (1 of 3)

The seventeen USHE member schools have a total of 39 (23 unique) plan designs

Plan Breakdown

Carrier / TPA	MotivHealth	PEHP	PEHP	PEHP	Regence	Regence	Regence	Regence
Plan	HDHP	Star HSA	Traditional	Consumer Plus	HDHP	BluePoint	BluePoint	Advantage
General Coinsurance	20%	20%	20%	30%	10%	0%	20%	20%
Office Cost Sharing	20%	20%	\$30	30%	\$25	\$12	\$25	\$40
Deductible	\$1,750	\$1,600	\$350	\$3,000	\$1,700	\$300	\$600	\$250
OOPM*	\$3,500	\$3,000	\$3,000	\$6,050	\$3,500	\$3,500	\$3,500	\$2,500
Actuarial Value	83.4%	83.9%	88.7%	75.0%	84.7%	94.1%	84.6%	85.3%
Institutions	Southwest	All PEHP Covered Institutions	All PEHP Covered Institutions	Mountainland	SLCC	SLCC	SLCC	UoU

*OOPM = Out-of-Pocket Maximum

Overview of Medical Plan Designs (2 of 3)

The seventeen USHE member schools have a total of 39 (23 unique) plan designs

Plan Breakdown

Carrier / TPA	Regence	Regence	Regence	Regence	Regence	Regence	Regence	Regence
Plan	HDHP	HDHP	Blue	Blue	White	White	HDHP	Traditional
General Coinsurance	30%	10%	0%	20%	0%	30%	20%	20%
Office Cost Sharing	30%	10%	\$15	\$30	\$15	\$35	20%	\$15
Deductible	\$1,600	\$2,000	\$250	\$500	\$375	\$750	\$1,600	\$375
OOPM	\$5,000	\$3,000	N/A	\$3,250	N/A	\$4,000	\$5,000	\$2,500
Actuarial Value	80.0%	87.1%	91.3%	83.11%	90.5%	80.0%	82.2%	89.1%
Institutions	UoU	UoU	USU	USU	USU	USU	USU	UVU

Overview of Medical Plan Designs (3 of 3)

The seventeen USHE member schools have a total of 39 (23 unique) plan designs

Plan Breakdown

Carrier / TPA	Regence	Regence	Select Health	Select Health	UMR	UMR	UUHP
Plan	Traditional	HDHP	Traditional	HDHP	HDHP	Traditional	HDHP
General Coinsurance	20%	20%	20%	20%	20%	20%	10%
Office Cost Sharing	\$30	\$25	\$25	\$15	\$35	\$35	10%
Deductible	\$750	\$2,000	\$750	\$1,600	\$1,750	\$1,000	\$2,000
OOPM	\$5,000	\$4,000	\$3,000	\$3,000	\$3,000	\$3,500	\$3,000
Actuarial Value	83.4%	81.3%	89.1%	87.2%	83.2%	86.7%	85.1%
Institutions	UVU	UVU	Ogden-Weber	Ogden-Weber	SUU	SUU	Bridgerland

Dental Plan Designs

Dental coverage offered within USHE is largely consistent across the member institutions

Plan Breakdown					
Annual Limit	\$3,000	\$2,000	\$2,000	\$1,500	\$1,500
Preventive Services Coinsurance	100%	100%	100%	100%	80%
Basic Service Coinsurance	100%	80%	80%	80%	80%
Major Services Coinsurance	100%	50%	60%	50%	50%
Institutions	SLCC	SUU, UOU, USU	UVU	Bridgerland, OWTC, SLCC, SWTC	All Others

Plan Outliers

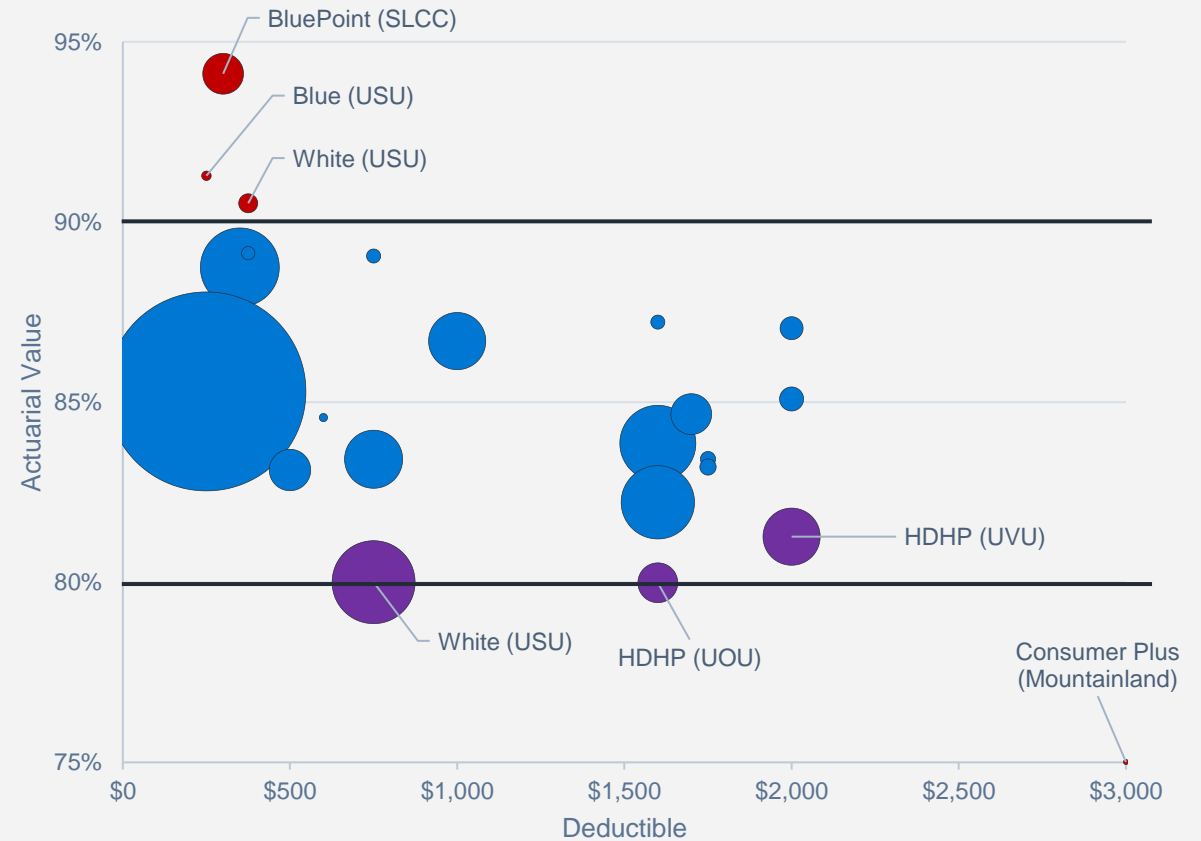
We measured the value of plans using actuarial value (i.e., the expected percent of claims paid by the plan after member cost sharing) and identified outliers

Of the 23 unique plan designs offered by the USHE benefit programs, 19 have an actuarial value (AV) between 80% and 90%. 1 plan is leaner and 3 are richer.

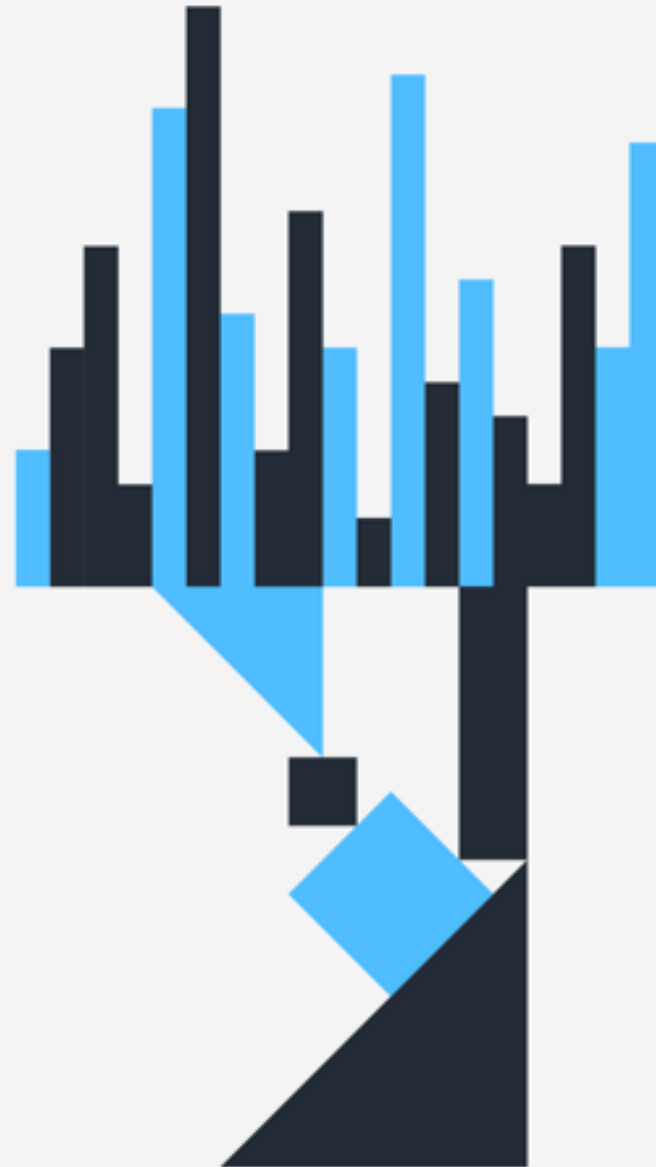
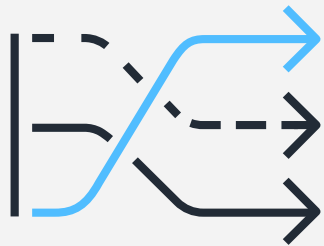
- Mountainland Technical College, Consumer Plus \$3000 Deductible – 75.0% AV
- Utah State University, White \$375 Deductible – 90.5% AV
- Utah State University, Blue \$250 Deductible – 91.3% AV
- Salt Lake Community College, BluePoint \$300 Deductible – 94.1% AV

Three plans with significant enrollment could experience a financial impact if more expensive plan options are selected:

- Utah State University, White \$750 Deductible – 80.0% AV
- University of Utah HDHP, \$1,600 Deductible – 80.0% AV
- Utah Valley University HDHP, \$2,000 Deductible – 81.3% AV



Potential Disruptions



Disruption Overview

Plan consolidation will introduce disruption to USHE member institutions and their covered employees and dependents. A strategy will need to be developed to minimize these disruptions and maintain high quality access and coverage for members of the respective health plans.

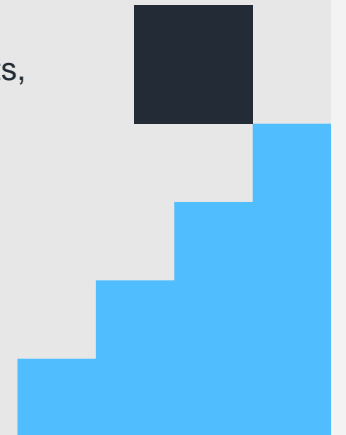
Disruption

We define disruption as any difficulty or challenge arising from consolidation for the following:

- Human resource and benefit managers at the respective USHE institutions
- Employees or their dependents covered by any benefits consolidated
- USHE management
- Other stakeholders

Overview of Discussion

The most impactful disruptors resulting from benefit consolidation will be to the respective health benefit offerings of the institutions. The health benefits represent the largest expense component of the health & welfare benefit offerings of each institution. Additionally, it is likely the most valued benefit by members of the benefit program. If USHE selects a consolidation approach which includes the consolidation of health benefits, then a well-developed strategy will need to be implemented to ensure that disruptions are tolerable for USHE member institutions.



Summary of Institution Survey

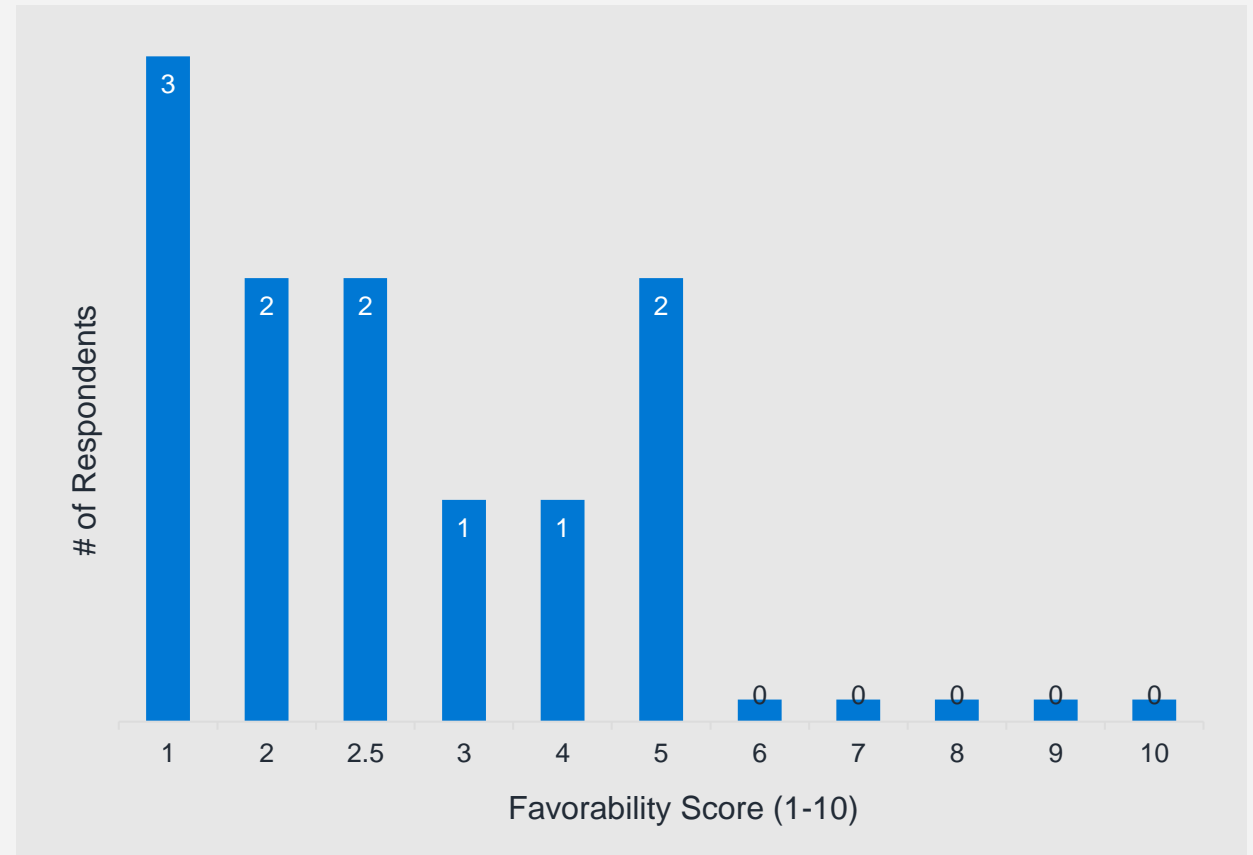
Benefit program managers provided input on how consolidation could help or hinder their program's performance

Milliman conducted a survey, requesting responses from the seventeen USHE member institutions, eleven institutions responded

The following questions were asked:

- List any challenges your institution currently faces with your employee benefit plans.
- List one or two potential disruptors due to benefit consolidation that concern you.
- List one or two opportunities/benefits for your institution from benefit consolidation.
- On a scale of 1-10, how favorably do you view benefit consolidation (1 being not favorable and 10 being favorable)?

The graphic to the right displays the favorability scores provided by the respondents. The detailed responses have been incorporated in the following pages, outlining potential disruptors.



Summary of Institution Survey

Any consolidation approach will create disruptions. Based on input from the eleven USHE member institution survey respondents, we have focused on the three disruptions most frequently mentioned.

Plan Design

Health Benefits

At present, schools have a level of flexibility in determining which plan designs its members would prefer.

A common concern arose where member institutions were concerned about being limited to options that did not align with their members' preferences.

Other Benefits

While not as critical, consolidation could also limit flexibility for benefit designs for other benefits.

Network

Medical Benefits

One of the most significant challenges facing consolidation of health benefits is the development of a network that allows institutions outside of major metropolitan areas (i.e., Weber, Davis, Salt Lake, or Utah counties) access to current providers.

Smaller regional institutions do not want to be beholden to the decisions of the large institutions that are not familiar with network options in smaller metropolitan or rural areas.

Dental and Vision Benefits

To a smaller degree than that experienced in the medical plan, members could lose access to their preferred dentists and optometric solutions.

Membership Disruption

Benefits in General

In addition to the disruption created by potential plan design and network changes, members may face changes to:

- Administration of benefits (e.g., new insurance cards, new customer service solutions, new employee benefits' contacts)
- Wellness benefits (e.g., some programs may have off-the-shelf or customized benefits, a consolidated approach may result in a shift in these benefits)
- Condition management solutions (e.g., some institutions may have adopted a third-party service to help manage endocrine conditions, a consolidated approach may remove or restructure those benefits or utilize a different third-party vendor)

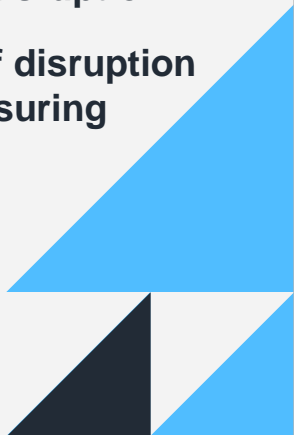
Identification of Key Disruptions

Disruption tolerance levels should be evaluated and determined before a consolidated approach is adopted. Any disruptions that are unacceptable should be avoided either through selection of an alternative consolidation option or through the adopted structure of the selected consolidation option.

These disruptions were identified by USHE member institutions as their biggest concerns.

While a more robust consolidation approach will see disruption in these areas, there are strategies to minimize that disruption.

Minimization of disruption is critical to ensuring widespread satisfaction of USHE member institutions.



Plan Design

While the plan design of the health benefits will be the most critical, care should also be taken for dental, vision, and ancillary offerings.

- A broad portfolio of health benefit offerings in a consolidated structure can be created to allow participating member institutions flexibility in plan selection. Each institution could be limited to a smaller number of plan options, which it selects for its employees. (Details discussed in scenarios)
- Member institutions should have input on plan design options they would like available
- Dental, vision, & ancillary benefits could have a small portfolio from which institutions can select

Network

Network options currently available to individual institutions should be maintained or a completely adequate network that meets an institution's member's needs should be constructed in its place.

- Consolidation of health benefits must not be at the expense of smaller regional institutions
- Networks should be adopted or structured to maximize retention of physicians that members currently visit
- No small regional institution should lose its autonomy due to the participation of a larger institution dominating the enrollment participation of the consolidated approach

Membership Disruption

Any type of change to the health benefit offerings of a benefit program creates some level of member disruption. The disruption includes plan design, physicians and hospitals included in-network, interactions with plan administrators, premiums, and additional offerings such as wellness programs or special condition management programs.

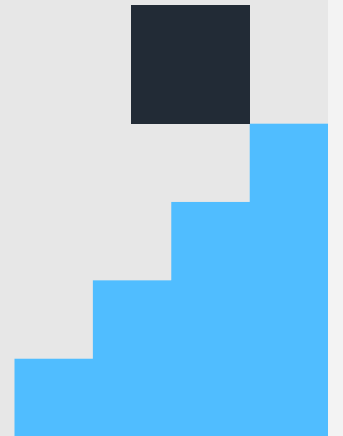
- Current options available to institutions should be carefully studied before networks are constructed
- Administrative partners should be carefully vetted and made aware of the unique circumstances surrounding consolidation of so many organizations

Legal Considerations for Consolidation

Plan consolidation will require an in-depth review of the current Utah code regarding health and welfare benefits for USHE institutions. Our limited understanding of the Utah code follows, but we are actuarial consultants and not attorneys.

Utah Code § 49-20-202 applies to health & welfare benefits of higher education institutions. It includes legislation around how risk pools are constructed and size restrictions on higher education institutions participating in the state risk pool. The scenario options we have analyzed include consolidated risk pools and a single scenario with all USHE institutions participating in the state risk pool. If these options are under serious consideration, review of the Utah Code and identification of potential code amendments may be necessary.

We are not attorneys and are not offering legal advice. We recommend that USHE receive professional legal advice when reviewing the scenarios we have outlined, in conjunction with Utah Code § 49-20-202. If amendments are necessary, USHE will need to work with the state legislature to adopt the appropriate legal language for the amended code.



Utah Code § 49-20-202

From Chapter 20: Public Employees' Benefit and Insurance Program Act

- 1) The program shall establish separate risk pools for:
 - a) state employees; and
 - b) the Utah Children's Health Insurance Program.
- 2) In accordance with participation standards established by the program, the following entities may elect to participate in the risk pool established under Subsection (1)(a):
 - a) in accordance with Subsection (3)(b), an institution of higher education designated under Section 53B-1-102 with a total full-time equivalent enrollment of less than 18,000;
 - b) an independent entity as defined in Section 63E-1-102; and
 - c) a comprehensive regional college.
- 3)
 - a) The program shall create risk pools for other covered employers separate from those created in Subsection (1) as determined by the program.
 - b)
 - i. If an institution of higher education described in Subsection (2)(a) has 1,000 or more plan enrollees, the program shall establish a rate for the institution of higher education based 100% on experience; and
 - ii. if the rate established under Subsection (3)(b)(i) is:
 - A. less than the risk pool rate established for the state employees' risk pool, the program may include the institution of higher education in the state employees' risk pool described in Subsection (1)(a); or
 - B. more than the risk pool rate established for the state employees' risk pool, the program shall create a risk pool for the institution of higher education that is separate from the state employees' risk pool under Subsection (1)(a).

Potential Required Code Revisions

Utah Code § 49-20-202, part of the Public Employees' Benefit and Insurance Program Act, places restrictions and requirements for financial management of funds related to insurance benefits for higher education institutions and regional colleges. These regulations may require proposed revisions.

Current Code Requirements and Potential Revisions

(3)(b)(i) Rates for institutions with 1,000 or more plan enrollees must be based entirely on experience

The consolidated options presented later in this report include scenarios where rates are determined by experience as well as a single pooled rate. Both options merit consideration; however, implementing a single pooled rate may necessitate an amendment to Utah Code § 49-20-202 (3)(b)(i)

(3)(b)(ii) For institutions with rates based entirely on experience as specified in (3)(b)(i), if the rate is lower than that of the state employees' risk pool, the institution may be included in the state employees' risk pool. Otherwise, they will be part of a higher education risk pool, separate from the state employees' risk pool

Should groups choose to join the state employees' risk pool, the remaining institutions within the USHE consolidation would consist predominantly of institutions with higher claims experience, consolidated into a single pool. If institutions are permitted to exit the USHE pool, any group experiencing a favorable claims year could opt to join the state employees' risk pool or become self-funded. This would result in increased rates for the remaining groups within the pool, rendering the USHE consolidation strategy impractical.

Conversely, if institutions are not allowed to exit the USHE pool, an institution that was initially prevented from joining the state employees' risk pool due to recent unfavorable experience could remain in the underperforming pool indefinitely. This scenario would be particularly costly for a group with a historically strong performance and favorable future outlook that simply experienced unusual adverse conditions at the time of consolidation.

Overview of Consolidation Options



Consolidation Option Scenarios

We have considered six consolidation options and two sub-options for USHE’s review. We outline pros and cons of each of the scenarios, provide notes on implementation of a given consolidation approach, and present projected financial impact estimates based on our financial modeling for five of the scenarios.

Pros / Cons

Each of the consolidation scenarios present pros and cons to USHE and the respective member institutions. We have outlined the pros and cons based on our experience with benefit consolidation for other entities, our market understanding, and the feedback received from the eleven institutions who responded to the survey. This list is not exhaustive and in practice the institutions will experience difficulties or benefits that are unique to their circumstances.

Implementation Notes

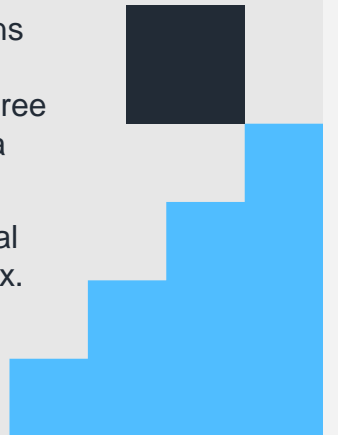
Each scenario presents unique implementation challenges. We have included notes for consideration for the selection of a given option. These notes are based on our observations of these types of consolidated approaches and have been made with the intent to mitigate the concerns presented by the USHE survey respondents.

Financial Modeling

We have performed modeling of the financial impact resulting from consolidation for five of the consolidation options. Three consolidation options (consolidating for vendor selection, establishing a stop-loss pool, and forming a consortium to leverage negotiations) require specific adoption details provided by USHE and specific quotes provided by vendors to be modeled. While not modeled specifically, we generally expect these three consolidation options to yield minimal to modest financial savings in comparison to the more significant consolidation options, such as forming a single risk pool.

For the five consolidation options with modeling, the next section of the report, “Detail of Consolidation Options,” presents the high-level financial impacts of consolidation to USHE in total. For the detailed projected financial impact to each USHE member institution, please see the Appendix.

Our modeling is based on generally accepted actuarial principles, and we have made assumptions when necessary to complete the analysis. Details of the modeling can be found on the following pages.



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

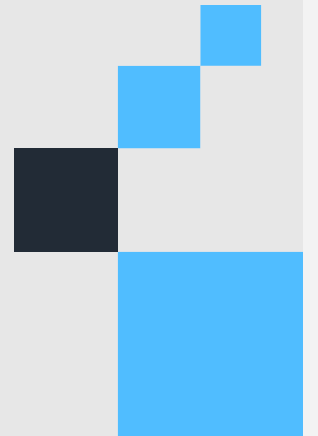
Financial Modeling - Costs

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

Financial Modeling - Costs

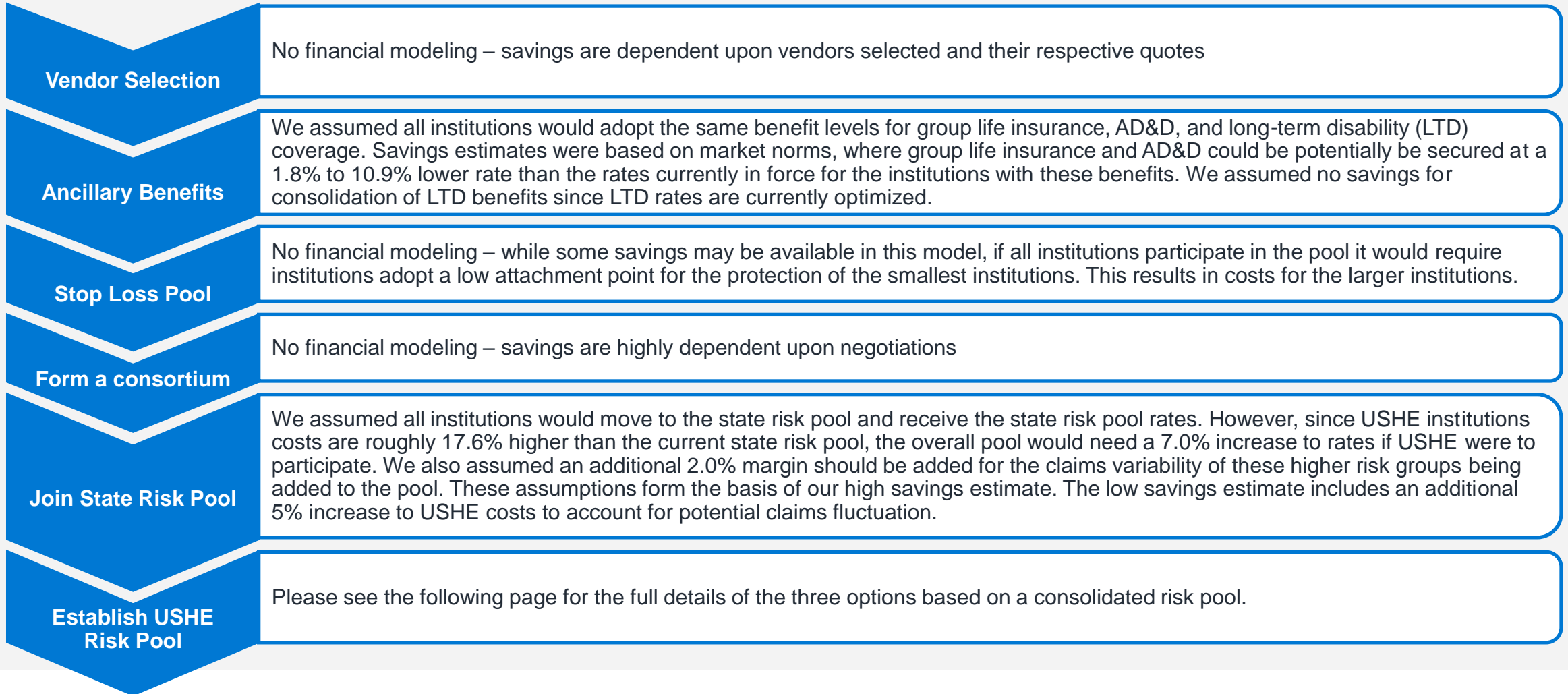
We do not anticipate any direct costs from consolidation itself; however, we would expect that costs would arise in the event that benefits are added to or expanded from an institution's current benefit package.

- 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.



Modeling Financial Impact of Consolidation Scenarios

The following gives a high-level overview of the methodology and assumptions we used in modeling the financial impact of consolidation scenarios. For more details, please see the Assumptions and Methodology section of this report.



Establish USHE Risk Pool

We modeled three options for establishing a single risk pool for all USHE member institutions.

We modeled three options under a single risk pool.

1. Single risk pool, managed by current USHE or institution staff, with individual rates reflecting individual member institutions' risk profiles
2. Single risk pool, managed by current USHE or institution staff, with a single pooled rate
3. Single risk pool, managed by a newly constructed entity

Each of these options assumed the following:

1. All institutions would offer the same ancillary benefits. Rates per member were set to the most favorable rate available among current USHE member institutions
2. Benefit levels of medical, dental, and vision coverage for the respective institutions would be maintained. Claims experience for the institutions was projected to a common date (see the Assumptions and Methodology section of this report for details on projection of the claims experience) to establish appropriate comparisons with current premiums and premium equivalent rates. Current costs for fully-insured entities reflect their current fully-insured premiums. Current costs for self-insured entities reflect their claims expense, professional fees, vendor fees, stop-loss premiums, stop-loss recoveries, and Rx rebates.
3. All vendor and professional service fees are set to reflect market norms for a group of the size of the consolidated entity.
4. Removal of all stop-loss coverage – consistent with market norms for a group of this size.
5. Rx Rebates were set at the same percentage of claims as that experienced by the current self-insured institutions, on average.

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		Form a separate entity to manage pooled risk
						Establish a risk pool for all institutions	Pooled Rate	
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

Detail of Consolidation Options



Consolidate for Selecting Vendors

USHE institutions would maintain individual benefit options but collaborate in the selection and contracting of vendors.

Pros

- Reduced costs
 - Utilize knowledge of all institutions and administrative capacity to help most cost-effective solutions
 - Potentially more negotiation power
- Reduced administrative commitment
 - Some institutions may be able to reduce the time they spend on selecting vendors given that multiple organizations are all working on selecting vendors
- Increased opportunity for selecting high-quality vendors
 - The institutions working together can share experience and insights with various vendors to increase the likelihood that all USHE institutions can select the highest quality vendors

Cons

- Limited financial benefit
 - Since the groups are not consolidating risk there are limits to the negotiation power in this structure
- Limited administrative relief
 - Since the organizations will need to agree on the selection of vendors, with no guarantee of meeting their members needs, this could add a different form of administrative burden

Consolidate for Selecting Vendors – Implementation & Financial Impact

Implementation notes and financial impact of consolidation

Implementation Notes

If USHE member institutions consolidate for selecting vendors, we make the following recommendations:

- Convene a meeting to determine benefits under consideration for consolidated vendor selection.
 - We would generally not recommend consolidation for selection of medical benefits since without greater consolidation there are limited financial benefits.
 - Selection of services such as stop-loss carriers, TPAs, benefits consultants, and ancillary benefits could be valuable.
- Develop a plan for vendor selection and what commitments each institution is under for this approach.
- Issue RFPs as necessary to initiate process for final vendor selection.

Any potential savings are highly dependent upon the number of vendors that USHE chooses to consolidate.

Consolidation for Ancillary Benefits

Consolidation of benefits such as life, disability, AD&D, etc. without consolidating health, dental, or vision benefits.

Pros

- Reduced costs
 - These benefits are typically fully-insured. For fully-insured situations, economies of scale reduce expenses of these benefits
 - For any benefits that negotiated administrative expenses, larger organizations have more negotiation power
- Ease of administration
 - Rather than multiple organizations negotiating and contracting individually, only one administrator would need to negotiate and contract for these benefits

Cons

- Limited financial benefit
 - These benefits are minor expenses relative to the health benefits. While there is financial upside for this consolidation, the savings is minor relative to the overall benefits program expenses
- Limited administrative relief
 - Like the financial aspect of these benefits, the administration and management of these benefits is much simpler than health benefits. Consolidating these benefits does provide some administrative relief, but by the nature of the benefits it frees up a small amount of time for human resource departments and / or benefit managers
- Limits flexibility of a given institution in selection of these benefits

Consolidation for Ancillary Benefits – Implementation & Financial Impact

Implementation notes and financial impact of consolidation

Implementation Notes

If USHE member institutions consolidate ancillary benefits, we make the following recommendations:

- Convene a meeting to determine which benefits will be included. It likely makes sense to include life insurance, AD&D, and disability. The institutions may elect to include other benefits, such as pet insurance, critical illness coverage, etc.
- Determine the benefit levels the institutions would like to make available.
- Have a single point of contact negotiate and contract rates

Financial Modeling Notes

We modeled the estimated financial impact using the following assumptions:

- Any institutions that are not currently offering all 3 of life, AD&D, and LTD would begin to offer all 3 benefits after consolidation, and at the same level of benefit. This is creating projected “costs” for some institutions.
- Consolidation of LTD benefits is unlikely to result in significant savings because the rates have already been optimized.

Due to the relatively small dollar value of these benefits, however, these savings would likely only represent a fraction of a percent of USHE’s total benefits budget.

Based on market norms, there is potential for 1.8% - 10.9% savings for life and AD&D costs only under consolidation.

9 USHE institutions do not currently offer either a group life, AD&D, or disability benefit (or a combination thereof).

Establish Stop-loss Pool

USHE institutions would pool their medical claims experience with each member institution responsible for any claims under the stop-loss threshold. Any claims over the stop-loss threshold would be the responsibility of a common stop-loss carrier and each group would pay the same stop-loss premiums as charged by the carrier.

Pros

- Potential for reduced costs
 - Economies of scale allows for reduced stop-loss premium

Cons

- Potential for increased costs
 - Because smaller institutions would be unable to carry the risk for a high stop-loss attachment point it would be necessary to have a relatively modest threshold. This would result in the larger institutions paying higher stop-loss premiums by virtue of contracting a richer benefit
- Administratively complicated
 - Administering such a plan would necessitate USHE to track claims data for all participating organizations to provide to the stop-loss carrier. This would require an additional administrative step for USHE or its member organizations. The complication of the structure would likely erode savings from the reduced stop-loss premium
- This scenario would be limited to the six self-insured institutions

Establish Stop-loss Pool – Implementation & Financial Impact

Implementation notes and financial impact of consolidation

Implementation Notes

We would not recommend establishing a single stop-loss pool since such an approach would be administratively burdensome and much more costly for many institutions.

- Higher costs result from a necessarily low reinsurance attachment point to protect the smallest institutions, which creates unnecessary financial burden on larger institutions that do not require a low reinsurance attachment point.

Any potential savings due to economies of scale are likely to be offset or surpassed by the necessity of a modest stop loss attachment point as dictated by the smallest participating institution.

Form a Consortium to Leverage Negotiations

Like consolidation for selection of vendors, USHE could create a consortium of its member groups to leverage negotiations with vendors.

Pros

- Reduced costs
 - Utilize knowledge of all institutions and administrative capacity to help most cost-effective solutions
 - Since the groups would be negotiating together on benefits, they would capture economies of scale savings and savings from increased negotiation power
 - A consortium could be utilized for direct contracting health benefits
- Reduced administrative commitment
 - Some institutions may be able to reduce the time they spend on negotiating and contracting with vendors since these processes could be consolidated
- Increased opportunity for selecting high-quality vendors
 - The institutions working together can share experience and insights with various vendors to increase the likelihood that all USHE institutions can select the highest quality vendors

Cons

- Limited financial benefit
 - Since organizations would not be pooling risk financial savings are limited, negotiation power is limited
- Potentially limits flexibility for selection of benefits, vendors, and network

Form a Consortium to Leverage Negotiations – Implementation & Financial Impact

Implementation notes and financial impact of consolidation

Implementation Notes

Many employer groups are participating in consortiums to help leverage negotiations. While the USHE institutions would not be as large as most employer consortiums, there could still be leverage for negotiations.

If USHE member institutions form a consortium to leverage negotiations, we make the following recommendations:

- Convene a meeting to determine which vendors and / or benefits under consideration for a consolidated approach.
 - In order for this approach to be effective, the institutions would need to be in agreement on the vendors they would use.
 - Each member institution would have full autonomy of benefits and benefit design – the consortium approach would only be used for initial contracting to secure preferred pricing.

Savings would be highly dependent upon benefits negotiated by the consortium.

Join State Risk Pool via PEHP

This would move all institutions to a fully-insured benefit through PEHP.

Pros

- Most types of benefits (i.e., medical, dental, etc.) can be covered directly via PEHP
- Reduced benefits administrative burden for each school
 - With benefits fully insured, HR and benefits managers at the individual schools will be able to relinquish much of their benefit management responsibilities, freeing them up for other tasks
- Reduced claims risk for the current self-insured institutions

Cons

- Likely to require revisions to the current code
- Large groups are typically self-insured because it is significantly less expensive than a fully insured product
- Benefit plan designs are limited
- Network options are limited
- Limits on specialized approaches to managing costs
- Limits on specialized approaches to improve member experience
- USHE member institutions' claim levels are higher than that of the current PEHP state risk pool. By including all USHE entities in the state risk pool, costs for the overall state risk pool would increase by 5% to 7%.

Join State Risk Pool via PEHP – Implementation & Financial Impact

Implementation notes and financial impact of consolidation

Implementation Notes

All member institutions would join the state risk pool via PEHP.

- This would require code amendments

Financial Modeling Notes

- Approximately 90% of savings in this scenario are attributable to the University of Utah due to their current program costs being significantly higher than the PEHP state risk pool average.

Estimated savings of

6.0%

to

10.5%

to USHE's current total health & welfare spend

6 institutions project to have cost savings
11 institutions project to have increased costs

Establish a Risk Pool for All Institutions – Rates Vary by Institution

All USHE institution pool risk of benefits.

Pros

- Reduced costs
 - Economies of scale reduce short- and long-term costs
 - Reduced administrative expenses
 - Reduced stop-loss costs
 - Reduced cost volatility
 - Potential for direct contracting with networks
- Reduced benefits administrative burden for each school
 - With benefits managed at a consolidated level, HR and benefits managers at the individual schools will be able to relinquish much of their benefit management responsibilities, freeing them up for other tasks
- Increased opportunity for selecting high-quality vendors
 - Input from individual institutions will result in the selection of the highest quality business partners and vendors
- Rates reflect risk of individual institutions
 - This ensures all institutions are financial winners, to the extent that their current premiums accurately reflect their risk

Cons

- Potential limitations on flexibility of:
 - Plan designs
 - Networks
 - Vendors
 - Business partners
- If only some benefits are consolidated, administration could be burdensome

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

Establish a Risk Pool for All Institutions – Pooled Rate

All USHE institution pool risk of benefits.

Pros

- Reduced costs
 - Economies of scale reduce short- and long-term costs
 - Reduced administrative expenses
 - Reduced stop-loss costs
 - Reduced cost volatility
 - Potential for direct contracting with networks
- Reduced benefits administrative burden for each school
 - With benefits managed at a consolidated level, HR and benefits managers at the individual schools will be able to relinquish much of their benefit management responsibilities, freeing them up for other tasks
- Increased opportunity for selecting high-quality vendors
 - Input from individual institutions will result in the selection of the highest quality business partners and vendors

Cons

- Potential limitations on flexibility of:
 - Plan designs
 - Networks
 - Vendors
 - Business partners
- If only some benefits are consolidated, administration could be burdensome
- Single rate for all institutions necessarily means some institutions are winners and some are losers

Establish a Risk Pool for All Institutions – Pooled Rate – 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.

Estimated savings of

2.5%

to

7.0%

to USHE's current total health & welfare spend

5 institutions project to have cost savings
12 institutions project to have increased costs

Form a Separate Entity to Manage Pooled Risk

This approach could be used so that USHE or a third-party would manage the benefit plans and liaise with third-party administrators for the consolidated plan. This would include consolidation of all benefits. USHE or the third-party would charge out rates to the member institutions to cover its administrative expenses, vendor fees, and claims expenses.

Pros

- Many of the same benefits of a consolidated risk pool
- Reduced costs
 - Economies of scale reduce short- and long-term costs
 - Reduced administrative expenses
 - Reduced stop-loss costs
 - Reduced cost volatility
 - Potential for direct contracting with networks
- Reduced benefits administrative burden for each school
 - With benefits managed at a consolidated level, HR and benefits managers at the individual schools will be able to relinquish much of their benefit management responsibilities, freeing them up for other tasks
- Increased opportunity for selecting high-quality vendors
 - Input from individual institutions will result in the selection of the highest quality business partners and vendors

Cons

- A separate entity may take time to react to adjustments needed by the pool
- Administrative fees for this third party will need to be monitored closely to ensure the consolidated entity is maximizing retained savings
- Depending on the structure of the entity, long term decisions may be outside of the control of the USHE member institutions

Form a Separate Entity to Manage Pooled Risk – Implementation & Financial Impact

Implementation notes and financial impact of consolidation

Implementation Notes

If USHE member institutions form a separate entity to manage a single risk pool, we make the following recommendations:

- Create an entity with its own operational autonomy.
- Fund the entity in the form of administrative fees to the benefits pool.
- We recommend that the entity work with a third-party for claims administration, but this newly constructed entity manages benefits, employee communications, contracting, negotiations, and operations of the benefit program.

Financial Modeling Notes

- Initial savings would be somewhat dampened by implementation costs.

Estimated savings of

2.5%

to

7.0%

to USHE's current total health & welfare spend

USHE to select rating methodology: The number of institutions with savings under this scenario will depend on the chosen rating methodology (pooled or varying by institution)

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%

Recommendations



Milliman Recommendations

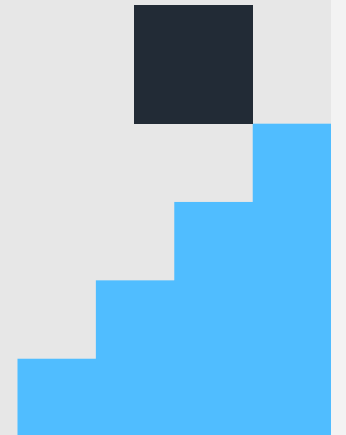
Establish a USHE risk pool with rates varying by institution – involving input from member institutions

Recommendations

Given the reaction of the various institutions in the survey responses and the concerns conveyed therein, *we recommend establishing a USHE risk pool, with rates varying by institution and involving input from each of the member institutions.* While many of the concerns put forth by the institutions can be addressed, this can only be accomplished through a judicious approach to minimizing disruption and retaining some level of autonomy for the member institutions.

Primarily focusing on financial outcomes and assuming overcoming disruption challenges is not prohibitive, we would recommend that USHE establish a single risk pool with rates that vary by institution. This approach could be adopted with either a committee managing the benefits or through the creation of a separate entity that would manage the benefit program, e.g., a self-funded, non-profit trust. If this approach were adopted, we recommend:

- A portfolio of health plans be offered to member institutions. The initial portfolio could be the current 23 unique plan designs currently offered. Each member institution could select 1-4 designs in which their members could enroll. These designs would generally be associated with the same networks that the respective plan designs currently use.
- A third-party administrator(s) (TPA) be utilized to administer claims. This will require negotiations with a TPA(s) that can offer the diversity of medical networks necessary to meet the needs of USHE member institutions.
- 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.



Milliman Recommendations – Minimizing Disruption

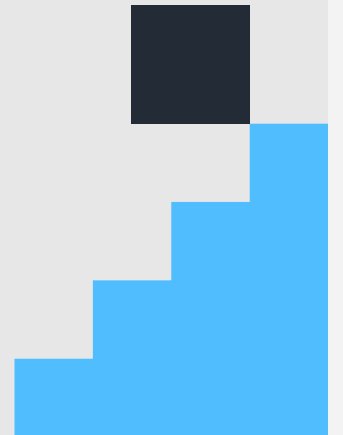
After completing our review, we have determined a recommended approach

Recommendations

It is important to recognize the concerns raised by the individual institutions via their respective survey responses. Our recommended approach addresses these concerns specifically and helps individual institutions maintain a level of autonomy after consolidation. Additionally, the recommendations are designed to help minimize member disruption and improve overall employee satisfaction with their benefits. This requires a thoughtful approach be adopted through consolidation.

A single risk pool (with rates that vary by institution) could be designed to:

- Offer a portfolio of health plans that potentially includes all options presently available to the collective institutions. Member institutions would simply select the plan designs they prefer from this portfolio.
- It would be critical to work with a TPA who can offer options that would generally be associated with the same networks that the respective plan designs currently use.
- Wellness program options, similar to those currently in place for a number of institutions, could be designed and offered.
- Significant savings (prior to the introduction of any additional utilization or case management) would be available via improved contracting and economies of scale.
- Dental, vision, and ancillary benefits (e.g., life insurance, disability insurance, and AD&D insurance) could become uniform across institutions (while protecting current dental and vision provider options).
- Future benefit changes would be open for discussion among the various member institutions, with a guarantee that the smaller institutions would have a voice in any benefit changes.



Assumptions & Methodology



Assumptions and Methodology

The following outlines the key assumptions and methodology used in the analysis of the feasibility study.

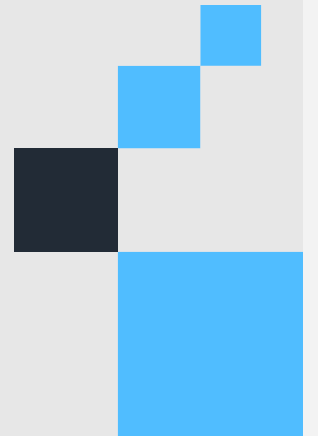
Incurred but not paid estimates

We have developed claim cost estimates for each entity based on its own experience, as available. From the claim lag data for each benefit (medical, pharmacy, dental, and vision) provided, we calculated factors based on historical claim payment patterns that show the estimated percent of total expected claims that have been paid as of a given lag duration. Incurred claims were estimated by applying these average completion factors to the already paid amounts. For the most recent months, an average PMPM based on prior incurred amounts was sometimes used to predict ultimate levels of claims instead of using the completion factor method.

Medical and pharmacy claim estimates used in consolidation scenarios

We received medical and pharmacy claims for all USHE entities. Incurred medical and pharmacy PMPM estimates for these groups are based on three years of claim experience from October 2021 to September 2024. After applying estimated completion factors to the paid claims, we assumed 5.1% medical claim trend and 14.9% pharmacy claim trend to adjust all experience to a single point in time (October 2024). These assumptions are based on actual Utah administrative services only (ASO) trends sourced from Milliman's Health Trend guidelines. We have assigned 1/6th credibility to the earliest year of data (October 2021 to September 2022), 1/3rd credibility to the second year of data (October 2022 to September 2023), and 1/2 credibility to the most recent year in the experience period (October 2023 to September 2024).

Pharmacy rebates were provided by four of the self-insured entities. In projecting pooled USHE costs, we calculated the average pharmacy rebates as a percentage of pharmacy claims for those for entities and assumed rebates as a percentage of Rx claims would remain consistent for the pool as a whole.



Assumptions and Methodology

The following outlines the key assumptions and methodology used in the analysis of the feasibility study.

Dental claim estimates used in consolidation scenarios

We received dental claims information for twelve USHE entities. Incurred dental PMPM estimates for these groups are based on three years of claim experience from November 2021 to October 2024. After applying estimated completion factors to the paid claims, we assumed 4% dental claim trend to adjust all experience to a single point in time (October 2024). We have assigned 1/6th credibility to the earliest year of data (November 2021 to October 2022), 1/3rd credibility to the second year of data (November 2022 to October 2023), and 1/2 credibility to the most recent year in the experience period (November 2023 to October 2024).

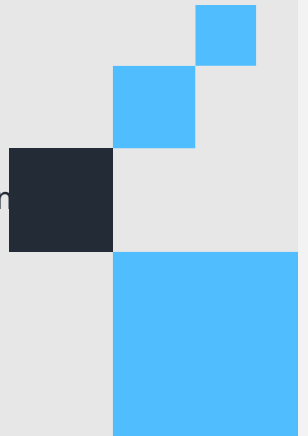
For entities that did not supply dental claims or premium information, we assumed a PMPM equal to the average of the twelve USHE entities for which we had dental experience.

Vision claim estimates used in consolidation scenarios

Much of the vision claim experience was unable to be collected due to the closure of an entity that offered vision insurance to several USHE institutions. In lieu of this data, we have applied the PMPMs based on the limited available vision experience to all institutions. Given the modest natures of vision costs, this has a limited impact on the financial analyses presented in this report.

Ancillary costs

Life, AD&D, and long-term disability costs were based on rates provided by PEHP as well as salary and full-time employment numbers reported in USHE's 2024 Data Book.



Assumptions and Methodology

The following outlines the key assumptions and methodology used in the analysis of the feasibility study.

Projected administrative costs for the combined USHE pool

- The ASO fees for the combined pool were assumed to be the least of the currently self-insured USHE entities (\$41.17 PEPM)
- Professional services fees were assumed to be \$1,500,000 per year (this includes salary and benefits for a full-time dedicated staff member)
- Professional liability insurance was assumed to be \$100,000 per year
- PCORI fees assumed to be \$0.25 PMPM

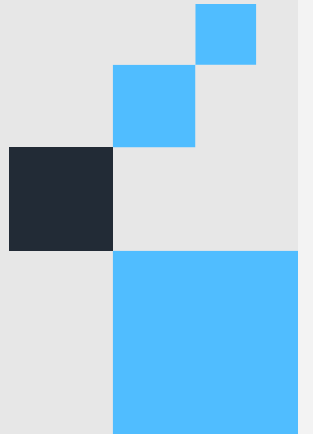
Current premium

Medical premium was provided by each entity, either in total or in the form of premium rate tables. If total monthly premium was not provided, we applied the premium rates by tier to monthly enrollment by tier to estimate total monthly premium. For entities that did not provide dental or vision premium, we assumed a premium per member equal to that of the USHE pool average.

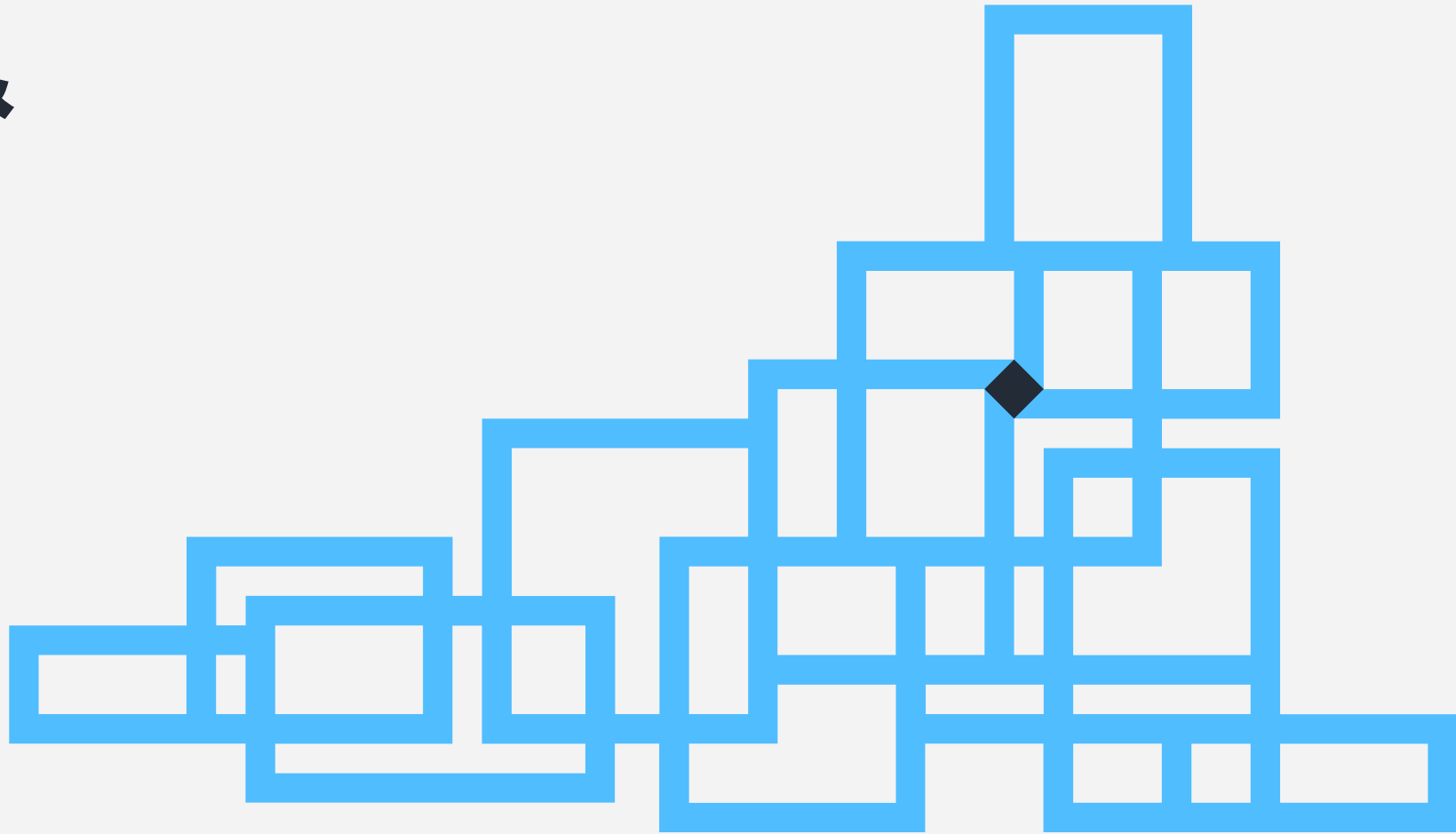
Benchmarks

Medical benchmarks were developed using Milliman's 2024 Health Cost Guidelines. The regionally adjusted market average benchmarks were adjusted for each entity's area, demographic distribution, and plan design offerings and represents average utilization management practices. The well managed benchmark is a nationwide "best practice" target. Both benchmarks were developed assuming average Utah commercial unit costs. The benchmarks are not adjusted for entity-specific unit costs, morbidity, or formulary differences. Benchmarks were trended to the midpoint of the medical claims experience period.

Dental benchmarks are based on Milliman's 2023 Dental Cost Guidelines and were developed at the pool-level. These benchmarks are adjusted for USHE's overall area, demographic distribution, and plan designs and were trended to the midpoint of the claims experience period.



Limitations & Caveats



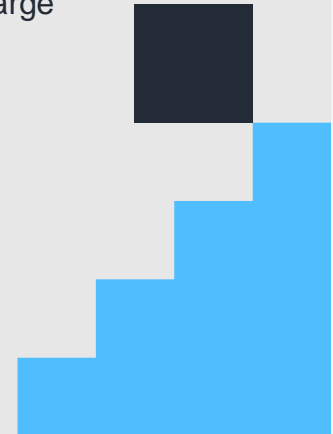
Limitations & Caveats

Data Reliance and Caveats

We relied on medical, Rx, dental, and enrollment data for (part of 2021), 2022, 2023, and a portion of 2024 provided by each individual member institution. We also received partial vision data* and other ancillary benefit data. We have not audited or verified this data. We reviewed this data for reasonableness and consistency. If underlying data is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to project the impact of USHE member institutions under various consolidation scenarios. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP). These models, including all input, calculations, and output, may not be appropriate for any other purpose.

These projections are highly variable. The actual costs, membership, and administrative expenses will differ from our analysis to the extent that future experience differs from our assumptions and historical data. Actual results could vary from estimates for a variety of reasons, including large claims volatility, changes in claim payment patterns, and benefit changes. It is certain that actual experience will not conform exactly to the assumptions used in this analysis.



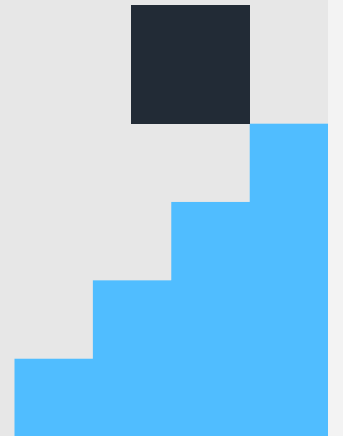
*Not all vision data was available due to difficulties experienced by the administrator of vision benefits for a number of the member organizations.

Limitations & Caveats

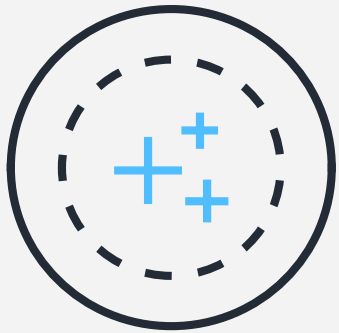
Data Reliance and Caveats

This report has been prepared for USHE for use in the state's determination of the feasibility of consolidation of benefits of USHE member institutions. Milliman makes no representations or warranties regarding the contents of this report to third parties. Likewise, third parties are instructed that they are to place no reliance upon this report prepared for USHE by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this report must rely upon their own experts in drawing conclusion about the feasibility of USHE benefit consolidation. This report may be provided without Milliman's written approval only to third parties as follows: 1) professional service providers who are subject to a duty of confidentiality and who agree to not use Milliman's work product for any purpose other than to provide services to USHE, 2) any applicable regulatory or governmental agency, as required, or 3) as required by law. To the extent the report is released, it should be released in its entirety.

We are members of the American Academy of Actuaries and are qualified to prepare projections of this type.



Appendix – Financial Detail by Consolidation Scenario & Institution



Join State Risk Pool via PEHP

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	\$576.86	\$605.70	10.6%	6.1%
Davis	709	\$476.47	\$576.86	\$605.70	-21.1%	-27.1%
Dixie	350	\$487.43	\$576.86	\$605.70	-18.3%	-24.3%
Mountainland	619	\$540.71	\$576.86	\$605.70	-6.7%	-12.0%
Ogden-Weber	364	\$528.93	\$576.86	\$605.70	-9.1%	-14.5%
SLCC	3,115	\$654.33	\$576.86	\$605.70	11.8%	7.4%
Snow	1,410	\$451.66	\$576.86	\$605.70	-27.7%	-34.1%
SUU	3,241	\$632.44	\$576.86	\$605.70	8.8%	4.2%
Southwest	213	\$395.11	\$576.86	\$605.70	-46.0%	-53.3%
Tooele	170	\$488.06	\$576.86	\$605.70	-18.2%	-24.1%
Uintah Basin	322	\$495.86	\$576.86	\$605.70	-16.3%	-22.1%
UoU	38,234	\$705.21	\$576.86	\$605.70	18.2%	14.1%
USU – Eastern	759	\$549.74	\$576.86	\$605.70	-4.9%	-10.2%
USU	13,241	\$570.21	\$576.86	\$605.70	-1.2%	-6.2%
Utah Tech	2,249	\$526.18	\$576.86	\$605.70	-9.6%	-15.1%
UVU	6,252	\$648.66	\$576.86	\$605.70	11.1%	6.6%
Weber State	4,442	\$590.01	\$576.86	\$605.70	2.2%	-2.7%
Total	76,221	\$645.75	\$576.86	\$605.70	10.7%	6.2%

*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.

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.

Establish a USHE Risk Pool – Single Pooled Rate

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	\$600.01	\$630.01	7.0%	2.3%
Davis	709	\$476.47	\$600.01	\$630.01	-25.9%	-32.2%
Dixie	350	\$487.43	\$600.01	\$630.01	-23.1%	-29.3%
Mountainland	619	\$540.71	\$600.01	\$630.01	-11.0%	-16.5%
Ogden-Weber	364	\$528.93	\$600.01	\$630.01	-13.4%	-19.1%
SLCC	3,115	\$654.33	\$600.01	\$630.01	8.3%	3.7%
Snow	1,410	\$451.66	\$600.01	\$630.01	-32.8%	-39.5%
SUU	3,241	\$632.44	\$600.01	\$630.01	5.1%	0.4%
Southwest	213	\$395.11	\$600.01	\$630.01	-51.9%	-59.5%
Tooele	170	\$488.06	\$600.01	\$630.01	-22.9%	-29.1%
Uintah Basin	322	\$495.86	\$600.01	\$630.01	-21.0%	-27.1%
UoU	38,234	\$705.21	\$600.01	\$630.01	14.9%	10.7%
USU – Eastern	759	\$549.74	\$600.01	\$630.01	-9.1%	-14.6%
USU	13,241	\$570.21	\$600.01	\$630.01	-5.2%	-10.5%
Utah Tech	2,249	\$526.18	\$600.01	\$630.01	-14.0%	-19.7%
UVU	6,252	\$648.66	\$600.01	\$630.01	7.5%	2.9%
Weber State	4,442	\$590.01	\$600.01	\$630.01	-1.7%	-6.8%
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



Feasibility Study for Consolidation of Benefits

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