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**Office of the Vice President, University Counsel
and Secretary of the Board of Regents**

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MEMORANDUM

TO: President Bruce D. Benson


Approved

FROM: Daniel J. Wilkerson
Vice President, University Counsel
and Secretary of the Board of Regents

DATE: April 12, 2010

SUBJECT: University of Colorado Health and Welfare Trust: Miscellaneous Issues

I. REQUEST FOR ACTION BY THE BOARD OF REGENTS

I recommend that the following resolution be submitted for approval by the Board of Regents on April 22, 2010.

WHEREAS, the eligible current and former employees and their dependents of (1) the University of Colorado, a body corporate and a state institution of higher education of the State of Colorado ("University"), (2) the University of Colorado Hospital Authority, a body corporate and political subdivision of the State of Colorado ("UCH") and (3) University Physicians, Incorporated, a Colorado nonprofit corporation ("UPI") currently participate in certain of the University's health plans and certain other welfare benefit plans; and,

WHEREAS, the University, UCH and UPI intend to self-fund certain of the health plans and establish a trust effective May 1, 2010, or such earlier date or later date as the President of the University, the President and Chief Executive Officer of UCH and the Executive Director of UPI jointly agree; and

WHEREAS, the University, UCH and UPI desire to establish and adopt for the benefit of the employees of the University, UCH and UPI and their eligible dependents, a trust to (1) provide the funding vehicle for certain health plans effective July 1, 2010, and potentially, certain other health and welfare benefit plans, (2) receive contributions from the University, UCH, and UPI and the participants in the health plans and other health and welfare benefits as may be added to the trust, (3) hold, if applicable, the health care flexible spending account contributions for the University's, UCH's and UPI's employees, (4) invest the trust funds, and (5) pay appropriate claims and expenses; and

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WHEREAS, the University, UCH and UPI intend that the trust, when taken together with the health plans and, if added, certain other health and welfare benefit plans, shall constitute a "voluntary employees' beneficiary association" under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended ("Code"); and

WHEREAS, the Board of Regents of the University of Colorado ("Board") intends to authorize, ratify and approve the actions taken or to be taken by the President of the University and the President's designees, whether before, on or after the date of this resolution, to (1) establish and adopt the written trust document and all related agreements with such changes as the President or the President's designees may deem necessary or advisable to maintain the trust, (2) make such further amendments and changes to the trust from time to time as the President or the President's designees may deem necessary or advisable, (3) designate, remove and replace the University trustees under the trust, (4) amend, modify or change the health plans to the extent permitted by such plans, and (5) designate other health and welfare benefit plans to be added to the trust; and

WHEREAS, the Board intends that the actions taken or to be taken by the President of the University and the President's designees, whether before, on or after the date of this resolution, to assist the trustees of the trust to submit, or have submitted, the trust and related agreements to the Internal Revenue Service in support of a request for a favorable letter of determination approving the trust as tax-exempt for federal income tax purposes, be, and they hereby are, authorized, ratified and approved; and

WHEREAS, the Board intends to authorize the President of the University and the President's designees to take any and all actions as the President and/or the President's designees deem necessary, appropriate or advisable with respect to the health plans, such other health and welfare benefit plans and/or the trust.

NOW THEREFORE, BE IT RESOLVED, that, a trust be established to fund certain of the health plans effective May 1, 2010, or such earlier or later date as the President of the University, the President and Chief Executive Officer of UCH and the Executive Director of UPI jointly agree; and

BE IT FURTHER RESOLVED, that, such trust should be established and adopted for the benefit of the employees of the University, UCH and UPI and their eligible dependents, to (1) provide the funding vehicle for certain health plans effective July 1, 2010, and potentially, certain other health and welfare benefit plans, (2) receive contributions from the University, UCH, and UPI and the participants in the health plans and such other health and welfare benefits as may be added to the trust, (3) hold, if applicable, the health care flexible spending account contributions for the University's, UCH's and UPI's employees, (4) invest the trust funds, and (5) pay appropriate claims and expenses; and

BE IT FURTHER RESOLVED, that it is intended that the trust when taken together with the health plans and, if added, certain other health and welfare benefit plans, shall

constitute a "voluntary employees' beneficiary association" under Code Section 501(c)(9); and

BE IT FURTHER RESOLVED, that, the actions taken or to be taken by the President of the University of Colorado and the President's designees, whether before, on, or after the date of this resolution, to (1) establish and adopt the written trust document and all related agreements with such changes as the President or the President's designees may deem necessary or advisable to maintain the trust, (2) make such further amendments and changes to the trust from time to time as the President or the President's designees may deem necessary or advisable, (3) designate, remove and replace the University trustees under the trust, (4) amend, modify or change the health plans to the extent permitted by such plans, and (5) designate other health and welfare benefit plans to be added to the trust, be, and they hereby are, authorized, ratified and approved; and

BE IT FURTHER RESOLVED, that, the actions taken or to be taken by the President of the University and the President's designees, whether before, on or after the date of this resolution, to assist the trustees of the trust to submit, or have submitted, the trust and related agreements to the Internal Revenue Service in support of a request for a favorable letter of determination approving the trust as tax-exempt for federal income tax purposes, be, and they hereby are, authorized, ratified and approved; and

BE IT FURTHER RESOLVED, that, the President of the University and the President's designees are hereby authorized to take any and all actions as the President and/or the President's designees deem necessary, appropriate or advisable with respect to the health plans, such other health and welfare benefit plans and/or the trust.

II. STATEMENT OF INFORMATION

The University presently offers fully insured health plans to employees and dependents of employees at the University of Colorado, the University of Colorado Hospital (UCH) and University Physicians, Incorporated, (UPI). The University's offerings include a plan constructed around the University Affiliated Network (UA Net), which includes University medical faculty, UCH and UPI as providers.

Beginning in June 2009, representatives of the University, UCH and UPI have been actively studying the creation of one or more self-funded health plans. The study group has concluded that the opportunity exists to bring to together the unique resources and expertise of the three employers to create a trust to offer self-funded health benefits plans to employees and dependents of employees of the University, UCH and UPI.

III. PREVIOUS ACTION

None

Draft Minutes at Budget and Finance Committee, April 22, 2010

University of Colorado Health and Welfare Trust: Miscellaneous Issues. Chief Human Resource Officer and Senior Associate Vice President E. Jill Pollock gave a presentation on health plan financing at the university. She noted that the university's health plans were self-funded from 1989-2000 and an audit report showed that the fund plans were mismanaged primarily due to the fact that there was no expert plan oversight committee and there were not sufficient financial reporting systems in place to properly monitor eligibility or utilization data.

Senior Associate Vice President Pollock stated that in August 2007, representatives from CU administration and campuses, University Physicians, Inc. (UPI) and the University of Colorado Hospital (UCH) were charged with identifying the important factors and criteria necessary for decision-making on self-funding plans and engaged Mercer Consulting, a national total compensation consulting firm, to assist the study group. She added that the final report stated that self-funding health plans would create the opportunity to earn interest on reserves, create cost savings for employees over the long term, provide a greater level of control over plan design and access to utilization data, and enable the development of plans specifically tailored to the university community.

Senior Associate Vice President Pollock stated that in June 2009, the chief executive officers of the three employers signed the "Principles of Partnership Toward Self-funded Health Insurance" with the common goal to provide high-quality health care and related benefits in a collaborative manner.

Senior Associate Vice President Pollock stated that the proposed resolution to create the University of Colorado Health and Welfare Trust, would allow the three employers to provide health and other related benefits, as desired, to employees and their dependents through self-funded benefit plans or commercial insurance. She added that the governance committee would consist of five trustees, two each from CU and UCH and one from UPI.

Regent Ludwig said he could not support the proposal because he had not seen financial data on the risk factors of becoming self insured.

There was discussion about presidential accountability to the board regarding the Health and Welfare Trust. Regent Neguse asked that a friendly amendment be added to the motion requiring the president to update the board on the trust at least annually.

Moved by Regent Merchant, seconded by Regent Bishop to suspend the rules and vote on the motion regarding the self insurance at this time in the meeting rather than at the board meeting. The motion carried (9-0).

3. New – System: University of Colorado Health and Welfare Trust: Miscellaneous Issues

Moved by Regent Lucero, seconded by Regent Hybl that the board approve the University of Colorado Health and Welfare Trust, as outlined in the Request for Action, be approved with the addition of the following statement as the last clause:

BE IT FURTHER RESOLVED, that the president shall provide the Board of Regents with a detailed report regarding the status and performance of the trust at least once a year.

The motion carried (8-1) with Regent Ludwig voting against the motion.

Exhibit J in the bound copies of these minutes has the full resolution and material on this item that was in the board meeting agenda book (on pages 63-66).