



This presentation contains the recommendation of the Student Health Insurance Advisory Committee and is subject to the approval of the administration, all applicable laws, and final acceptance of a contract of insurance by both parties.

Furthermore, this presentation is intended as part of a presentation and thus some slides may be out of context. Please see notes for explanations.



Duke Student Medical Insurance Plan

2008-09 Policy year

START DAVID



Overview

- History
 - RFP
- Background
 - Premiums
 - Claims
- Results of RFP
 - Customer Service
 - All services are provided under one roof
 - Waiver and auto-enrollment
 - Target loss ratio
 - Dividend account
- Benefits
 - Copay design – removal of deductible
 - Extension of eligibility
 - Voluntary dental and vision plans
- Rates
 - Dividend accounting
 - Recommendation

DAVID

Everything that we are going over today represents the recommendation of the Student Health Insurance Committee and is subject to the approval of the administration, all applicable laws, and final acceptance of a contract of insurance by both parties.



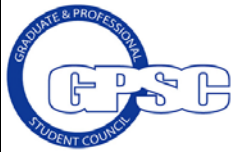
- History
– RFP

DAVID

Duke sends out a request for proposals, or RFP, about every three years. It has been four years since our last RFP; as we got into the process last year we realized, with the help of a consultant, that the process may be more involved than originally anticipated and the process was put off until this year. Last year was spent improving our benefit design and conducting research at many levels on our options.

In January we sent out the RFP and in this month we considered the top proposals; namely, those from Blue Cross and Blue Shield of North Carolina, Aetna Student Health, and United Healthcare/StudentResources.

The Student Health Insurance Advisory Committee (SHIAC) has made a recommendation to Larry Moneta to accept the proposal of United Healthcare. We are now going to give the background and rationale for this decision.



Vendors



HILL, CHESSON & WOODY
Experience the benefit.

Until 2007-08 policy year



BlueCross BlueShield
Association

Until 2008-09 policy year



2007-08 policy year only

DAVID

A little more on the history:

Last year we changed customer service providers from Hill, Chesson, and Woody to a combination of Blue Cross Blue Shield in-house customer service and Koster Insurance.

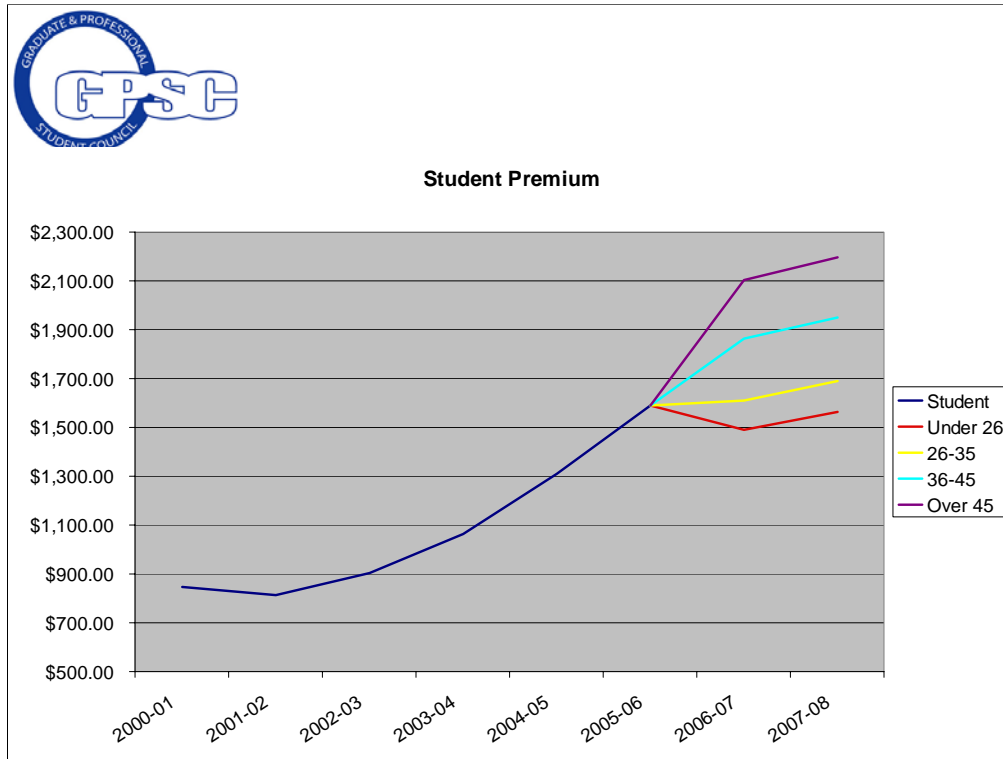
We have been with Blue Cross and Blue Shield for at least thirty years and Hill, Chesson, and Woody since the same time. Previous RFP processes have been done with Hill, Chesson, and Woody. This year's RFP was conducted by SHIAC and an independent consultant.



- **Background**
 - Premiums
 - Claims

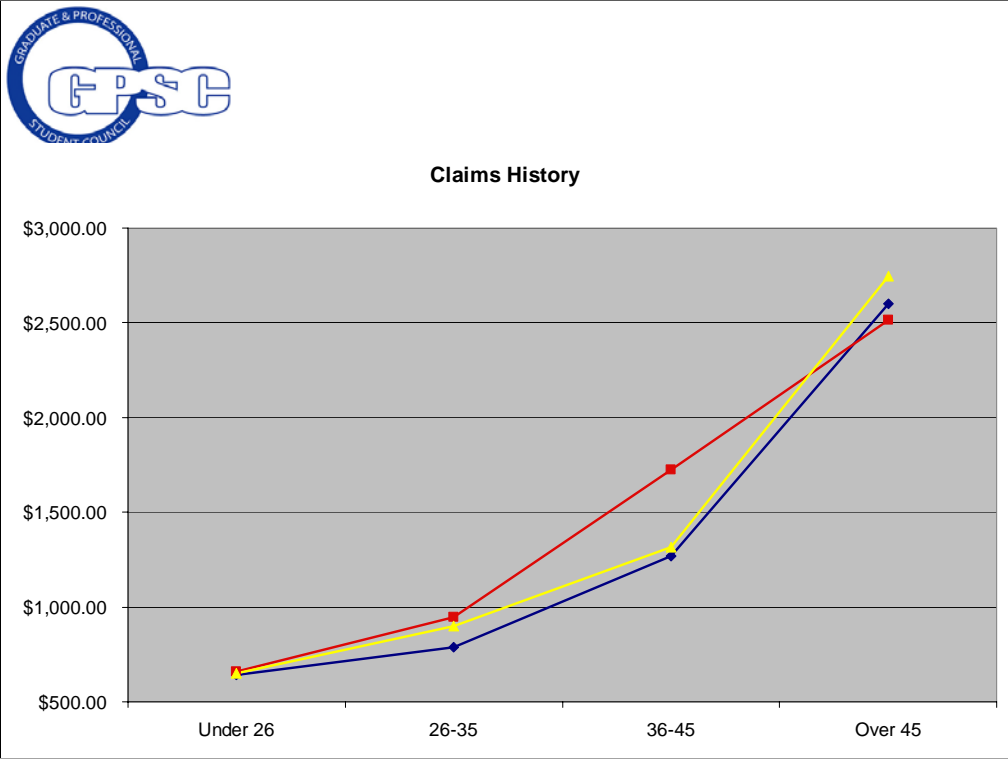
START MICHELLE

We will now take a look at the history of our premiums, claims, the experience with our loss ratio, and changes to the deductible and out-of-pocket maximums.



MICHELLE

This is what the student premiums have looked like for the past eight years. Many of you remember in 2005 when we made the decision to move to an age-banded premium structure. This was specifically done because the premiums for all students were becoming more than the rates for young males on the open market. The open market rates are less because that group (young males) typically costs less to insure. Basically, it was causing some of our cheapest members to leave the group. This in turn would cause the average student claims to increase (because more of the members were expensive). As you can imagine, this would be a feedback that could have ultimately endangered the plan. Nevertheless, the committee has always attempted to keep rates as affordable as possible, but still have an actuarial basis for the rate structure. The state requires that an age-banded system have an actuarial basis for the rates. By the way, Duke has no interest, nor is it permissible by law in a group plan, to separate male and female insurance. That brings us to the primary driver of premium rates, claims.



MICHELLE

This represents the past three years of claims history per member for the age-bands in our plan. Dependent coverage is also characteristically higher than the student claims. This is because of access to Student Health as well as the claims history.



- Results of RFP
 - Customer Service
 - All services are provided under one roof
 - Waiver and auto-enrollment
 - Target loss ratio
 - Dividend account

START ERIC

There were a lot of comments from both students and administrators on the customer service provided by both Blue Cross and Koster and we did place value in United's ability to provide in-house customer service, as well as marketing.

At this time it is appropriate to announce that Duke has decided to change the enrollment process for the insurance plan. In previous years, students were encouraged to 'sign-up' for the insurance plan or waive out of it. Those students who took no action were automatically enrolled in the plan in September. Due to the delay and confusion from this delay, there will be a new policy of enrolling everyone at an earlier date except those who have waived. This means that if your constituents plan to waive out of the plan next year they will need to do it by an earlier date than last year.

Earlier this year we presented options for a waiver system.



Waivers and Enrollment

Duke Health Insurance Policy:

- Students enrolled in programs that require payment of the health fee must also have adequate medical insurance.
- This is coverage that meets or exceeds the benefit levels provided by the Duke Plan.

ERIC

This is the Duke Health Insurance requirement.



Waiver Form

- The claims administrator is **based in the United States** and has a US telephone number and address for submission of claims.
- The plan provides both emergency and non-emergency health care benefits in the **Durham area**.
- The plan has participating hospitals, physicians, pharmacies, and mental health care providers in the **Durham area**.
- The plan provides inpatient and outpatient **mental health** care and chemical dependency benefits at a level that is comparable to the coverage provided by the SMIP.
- The plan provides coverage for **prescription** medications.
- The lifetime **maximum benefit** is at least \$500,000.
- The student is not subject to a **pre-existing condition exclusion** waiting period or otherwise has plan limits that significantly restrict access to health care services or supplies.
- If the plan has a **deductible** in excess of \$500, the student has adequate financial resources available to pay for expenses subject to the deductible.
- If the student will be traveling abroad, the plan has **medical evacuation** and repatriation coverage at a level comparable to the benefits provided by the SMIP.

ERIC

And in order to better enforce this:

When completing the waiver, students will have to certify that their plan satisfies certain criteria; namely, it is by a company in the US, providers in the Durham area, mental health coverage, prescription medication, a maximum benefit that is sufficiently high, a deductible that is sufficiently low, and provides medical evacuation and repatriation, in addition to providing policy information such as name and address of the insurance company and subscriber number.



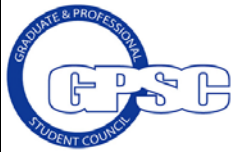
Loss Ratio

- Definitions:
 - Medical loss: payment of a claim from an insurance company
 - Loss ratio: the ratio of medical losses to premium charged
- Our loss ratio this past year was around:
67%

ERIC

This actual loss ratio is less (by a considerable amount) than what Blue Cross and Blue Shield had given us as a target loss ratio (the point at which they would break even) last year during renewal. That was the second year in a row that they have underestimated our claims by a sufficiently large margin.

United has a more favorable target loss ratio – that means that they have lower overhead and thus more of our premium is used for claims, not profit. However, if they overestimate our claims (like what Blue Cross did in the past), well, they have also offered us a dividend arrangement.



Dividend account

ERIC

The details are as interesting as they are confusing; basically, remember how Blue Cross overestimated our claims utilization and as a result got to keep more money than they 'advertised'? Actually, several million dollars over the past few years. A dividend accounting system, which United has offered us, means that if they overestimate the claims by 3% or more, we get to keep those funds up to 10% back.



- **Benefits**
 - Copay design – removal of deductible
 - Extension of eligibility
 - Voluntary dental and vision plans

START CLAIRE

These are the three most significant benefit changes.



- **Definitions:**
 - **Deductible:** amount that the member is responsible for before the insurance plan will pay for expenses.
 - **Coinsurance:** the amount of the charges that the member must pay.
 - **Coinsurance maximum:** the maximum amount that a member will pay in coinsurance.
 - **Out-of-pocket maximum:** the maximum amount that a member must pay.

CLAIRE

These values, deductible, coinsurance and out-of-pocket maximum are all annual limits – they renew every policy year, or in our case, every mid-August. For years our deductible had been \$100 and was bumped up to \$150 for the 2006-07 policy year. Likewise, our coinsurance maximum increased from \$1,000 to \$1,500. This was common practice and median values among our peer institutions.



Benefits

Physician's visits Including: •in-patient •out-patient, •preventative services •psychotherapy	\$25 plus 20% for ancillary services
Urgent Care	\$45
Emergency room	\$150
Prescription drugs	\$10/\$20/\$40 plus mail-order

CLAIRE

Physician's visits	\$25
Emergency room	\$150
Urgent care	\$45

These are IN-NETWORK ONLY (except ER use – that doesn't matter in or out of network), and provided here as an example.

These exclude ancillary services such as x-rays, which will be paid at 80%.

All other covered services will be paid at 80% for in-network and 70% for out-of-network.



Benefits

In-network:

- No deductible – get a benefit from your first visit
- Out-of-pocket maximums remain in place
- Dental and vision discounts

CLAIRE

Out-of-pocket maximums remain in place, but we are considering increasing the medical maximum to up to \$1,750.

There does remain a deductible and coinsurance for out-of-network benefits.



Extension of Eligibility

- 6 months maximum
- 150% premium

DAVID

It's like COBRA insurance, but simpler. You will deal directly with United for remittance of premium. This benefit will be a part of the 2008-09 plan year. One of the real advantages is that it will maintain your portable credible coverage to waive out of a pre-existing condition exclusion that may be included with your career after Duke.

So, two examples:

1. A student graduates in May, their coverage expires mid-August. Their job starts September 1st – this student may want to purchase insurance to cover against sickness or injury during those two weeks.
2. Another student graduates and coverage expires mid-August could not find a job that starts until October 1st, and the job that he is going to has a pre-existing condition exclusion. That student may want to purchase insurance to cover against sickness or injury during those months AND to maintain credible coverage – if he let his coverage lapse for more than 61 days (numbers vary by state) he may be subject to a pre-existing condition exclusion.



Dental

- Included dental and vision discount plan
- Voluntary dental plan

Policy	Monthly	Annual
Student	\$29.82	\$357.84
Student + spouse	\$59.65	\$715.80
Student + child(ren)	\$78.01	\$936.12
Student + family	\$112.43	\$1349.16

DAVID

A discount vision and dental plan is included and a list of providers will be available online.

We are still looking at voluntary dental and vision plans, but we do have at least one option to offer that has \$50 deductible, \$1,000 maximum annual benefit, 100% preventative services without meeting deductible, 80% basic services (including surgical extractions), does not cover major services.

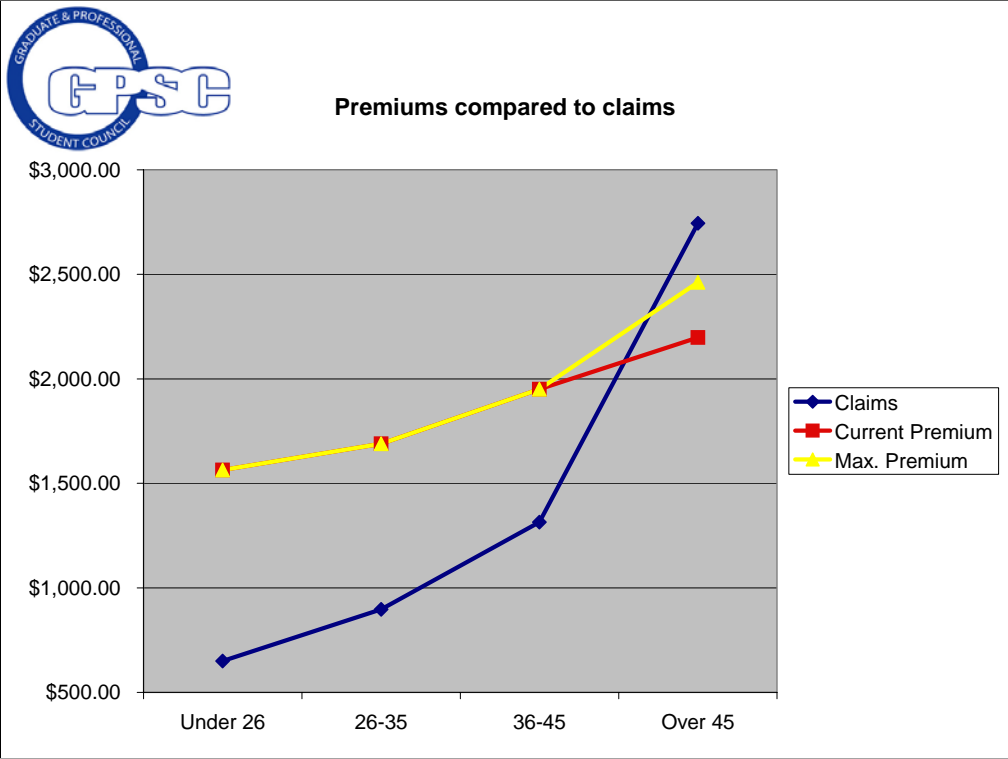


- Rates
 - Dividend accounting
 - Recommendation

DAVID

We have already introduced the dividend accounting, but would like to reiterate its importance to the plan. This group is comprised of very healthy, well-educated students. United has given us a reasonable claims estimate, but there is a real chance that in the future we could do better than that. Furthermore, this type of accounting is closer to the partial self-funding that really makes more sense for a plan of our size, which by the way is now officially over ten million dollars.

What follows is a comparison of the current premium levels and the highest premiums that would result from our recommendation. Please bear in mind that we cannot guarantee these premiums. With that,



ERIC

This is the actuarial basis for an increase in the older age group.



Subsidies

Under 26	\$ 400.00
26-35	\$ 150.00
36-45	\$ (200.00)
Over 45	\$ (2,000.00)
Spouse	\$ (9,000.00)
Child(ren)	<i>insufficient data</i>
Family	<i>insufficient data</i>

ERIC

Subsidies – compiled based on this year’s membership numbers, claims (as best as I could guess), a 0.6 loss ratio, and the current premium rates. These are ballpark figures because the precise values are very unstable.



Premiums

Current year Next year

Under 26	\$1,564.00	\$1,564.00 (+0%)
26-35	\$1,690.00	\$1,690.00 (+0%)
36-45	\$1,951.00	\$1,951.00 (+0%)
Over 45	\$2,198.00	\$2,462.00 (+12%)
Spouse	\$2,591.00	\$2,772.00 (+7%)
Child(ren)	\$1,491.00	\$1,523.00 (+2%)
Family	\$3,845.00	\$4,005.00 (+4%)

ERIC

Above are the current year's premiums. What we will now show is what the committee believes to be the largest increases that would be realized by the group.
 click to show premiums

It should be noticed that due to the favorable claims the lowest three age bands should not see an increase. Since the premiums must be actuarially sound, the highest age band should see some increase relative to the other bands due to the historically demonstrated claims. (last year we did not have in-depth negotiations with the age-banded premiums)



Take-home points

- Waivers must be completed earlier this year.
- Premiums should only increase slightly if at all.
- We are pushing the premiums to more closely match claims for fairness and the overall health of the plan – we are keeping a subsidy in place.

DAVID

UNDERGRADS: The NCAA athletics exclusion will remain in effect – this does not apply to club sports or intramurals. The Department of Athletics has promised to cover the risk for Duke athletes as opposed to paying to remove the exclusion.