



University of Colorado

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October 31, 2013

To: Bruce D. Benson, President
From: E. Jill Pollock, Vice President, Employee and Information Services
and Chair, University of Colorado Health and Welfare Trust Committee
Subject: Decision Regarding Continuance of the University Benefits Advisory Board

The purpose of this memorandum is to confirm your decision, at my recommendation, to discontinue the University Benefits Advisory Board (UBAB), a group that is advisory to you and serves at your pleasure.

As you recall, UBAB was formed in 1999 in response to CU's disastrous experience with health plan self-funding in the 1990's. An audit of the plan recommended such an advisory body be created to assist the brand-new Payroll & Benefit Services organization with a fully-insured health plan structure. The board worked diligently to serve the university. I particularly want to thank Stuart Schneck, MD, and Bruce Neumann, PhD, for their service since UBAB's inception.

In 2007, however, then-president Hank Brown directed a task force be assembled to determine whether self-funding our health plans, properly structured and managed, should be considered for cost containment. The task force, which included the chair of UBAB, concluded that self-funding was feasible. In early 2009, you, the University of Colorado Hospital (UCH) president Bruce Schroffel and University Physicians, Inc. (UPI) Executive Director Lilly Marks directed me to move ahead with the shift from fully-insured to self-funded status for our health plans. (While fully-insured, CU held the contracts and UCH and UPI purchased from them as CU affiliates, so the groups had worked together for many years.)

An important goal of the self-funding project was to assure the legal structure and controls would contain the checks and balances absent in the earlier self-funding effort. Consequently, the Voluntary Employees' Beneficiary Association (VEBA) structure and the accompanying legal documents reflect this desire. The trust operates under federal ERISA rules, adding significant controls and reporting requirements.

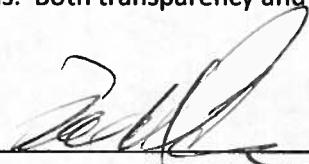
The trust has performed well for the benefit of its participants. Compared with remaining fully-insured, the trust has saved CU and its employees more than \$20 million since July 2010. It has been externally audited twice and received "perfect scores." The University Controller and two actuarial firms regularly examine the trust's operations, and the University Treasurer handles the cash transactions in accordance with regent-set investment principles. All trust meetings are public, and all legal documents are posted for participant review at <https://www.cusys.edu/trust/>.

Governance of the trust, under the VEBA structure, is seriously undertaken, and the trustees are legally held to high standards of performance, including being personal liable for their decisions. Recently, external legal counsel to the trust advised that CU and UCH each could add a trustee, taking the total to seven (UPI has one trustee and CU's other trustees are Todd Saliman, System CFO, and me). I had committed to the CU Faculty Council that, when such addition could be made, you would select a faculty member. I asked for nominations from the Faculty Council and the campuses' faculty assemblies, and two names were forwarded to you. You selected Dr. John McDowell, Professor in the School of Dental Medicine and former chair of Faculty Council.

The role of UBAB, as contained in the Administrative Policy Statement 5025, *Benefits Advisory Board to the President*, "...is to provide strategic advice to the president and administration on benefits policy issues by developing recommendations for benefits policy and reviewing the operational and financial status of benefits programs." Since self-funding, such advice to and review with you has come primarily from the trustees and legal counsel. In addition, the trust's Plan Administration is in its third year of annual, direct solicitation to all employees of the health trust for their recommendations to improve our health plan offerings. For other benefits, like alternative ways to add dependents to the tuition plan and initiatives regarding the optional retirement plan, advice generally comes from Employee Services through me.

With Dr. McDowell's trustee appointment and his new chair role of the Faculty Council Personnel Committee, coupled with my or the Plan Administration's monthly updates on key health plan matters to both Faculty Council and the University of Colorado Staff Council, the regent-indicated governance groups are at a place to interact directly with CU's trustees and the trustees with them. Times have changed. The UBAB served its purpose during a period of fully-insured health plans, and I appreciate their work. Since self-funding the plans in mid-2010, the health trust has performed at a high level with appropriate controls, and employees are being served as never before with new benefits (like hearing aids and diabetes management) and with direct communication about their plan desires and concerns. Both transparency and access have been enhanced, which led me to this recommendation.

Decision confirmed: _____



Bruce D. Benson, President

Date: _____

10/31/12