



## KANSAS BOARD OF REGENTS

Agenda Call for January Meeting  
Fiscal Affairs and Audit Standing Committee  
Tuesday, January 30, 2012, NOON  
Conference Rm B  
Teleconference Dial in number 866-620-7326 and Conference Code 476-523-6449

### **COMMITTEE AGENDA ITEMS FOR FEBRUARY 15-16 BOARD MEETING**

#### ***FACILITIES – FEBRUARY 15, 2012 AGENDA – CONSENT (Eric King)***

##### **1. APPROVE ARCHITECTURAL PROGRAM FOR THE RENOVATION AND ADDITION TO THE JACK H. OVERMAN STUDENT CENTER- PSU**

Pittsburg State University (PSU) requests approval of the Architectural Program for a renovation and new addition to the Jack H. Overman Student Center. The renovation and expansion would provide appropriate and much needed student organization offices and student lounge areas. Additional public restrooms would also be constructed. The lower level would be expanded to include a larger University Club with more seating. The west end of the lower level would be renovated to provide more student lounge area. The main level would see increased seating for the retail dining center and new student offices and work space for groups like Student Activities Council and Student Government Association. Student space would be expanded and designed to provide a different type of lounge setting for things like group study or more quiet areas. The upper floor expansion would include additional meeting rooms in various sizes to accommodate various needs. The existing ballroom would be renovated to provide better sight lines and room configuration for a more functional and appropriate setting for banquet and meeting space.

The expansion would add a total of 44,305 square feet to the existing facility. The Program document is for the entire project. The total project budget is estimated at approximately \$14,100,000. No new State funding will be requested for the operational costs. Approval is contingent on Board of Regents staff review of the program document.

##### **2. APPROVAL TO AMEND FY2013 CAPITAL IMPROVEMENTS REQUEST-PSU**

Pittsburg State University requests approval to amend its FY2013 Capital Improvements Plan as presented to the 2012 Legislature. The first change reflects the increased cost now estimated by the architect responsible for preparing the Jack H. Overman Student Center Architectural Program Document. The latest project estimate has been increased to \$14.1 million. The second change to the FY2013 Capital Improvements Plan incorporates student

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funded bonding into the proposal for the Weede Facility renovation and expansion (Indoor Event Center) and the Fine and Performing Arts Center. Pittsburg State University is requesting permission to seek additional bonding authority for \$24.0 million in total funding for the renovation and expansion of the Overman Student Center, a portion of the Weede Facility renovation and expansion (Indoor Event Center), and a portion of the Fine and Performing Arts Center. Specifically, the University proposes to request the following from the 2012 Kansas Legislature:

“In addition to the other purposes for which expenditures may be made by Pittsburg State University from the monies appropriated from any special revenue fund for Pittsburg State University for fiscal year 2013 by this or other appropriation act of the 2012 regular session of the legislature, expenditures shall be made by Pittsburg State University from monies appropriated from any special revenue fund for Pittsburg State University for fiscal year 2013 to provide for the issuance of bonds by the Kansas Development Finance Authority in accordance with K.S.A. 74-8905, and amendments thereto, for the following capital improvement projects: the renovation, equipment and expansion of the Jack H. Overman Student Union, the renovation and equipment of the Weede Athletic Facility, the construction and equipment of an indoor event center, and the construction and equipment of a fine and performing arts center: *Provided*, That such capital improvement projects are hereby approved for Pittsburg State University for the purposes of subsection (b) of K.S.A. 74-8905, and amendments thereto, and the authorization of the issuance of bonds by the Kansas Development Finance Authority in accordance with that statute: *Provided further*, That Pittsburg State University may make expenditures from the monies received from the issuance of any such bonds for such capital improvement projects; *Provided, however*, That expenditures from the monies received from the issuance of any such bonds for such capital improvement projects shall not exceed \$24,000,000 plus all amounts required for costs of bond issuance, costs of any credit enhancement, costs of interest on the bonds issued from such capital improvement projects during the construction of such projects and any required reserves for the payment of principal and interest on the bonds: *And provided further*, That all monies received from the issuance of any such bonds shall be deposited and accounted for as prescribed by the applicable bond covenants: *And provided further*, That debt service for any such bonds for such capital improvement projects shall be financed by appropriations from an appropriate special revenue fund or funds: *And provided further*, That no bonds shall be approved by the Kansas Development Finance Authority until the conditions of K.S.A. 76-742, and the amendments thereto, have been met.”

While the University is seeking approval to potentially issue \$24.0 million in student funded bonding, it is also the University’s intent to continue to seek private gifts and to utilize excess fee collections on existing student funded bond issues to reduce the total amount of final bonding required to complete these three projects. The request to move forward on these

three major projects is consistent with the long range goals put forth in the Campus Master Plan previously approved by the Kansas Board of Regents.

***FACILITIES – FEBRUARY 15, 2012 AGENDA – DISCUSSION (Eric King)***

**1. AUTHORIZATION TO NAME THE BASEBALL INDOOR HITTING FACILITY – KU**

The University of Kansas requests authorization to name the baseball indoor hitting facility.

***LEGAL --***

1. AUTHORIZE EXECUTION OF CONTRACT WITH MHECARE FOR THE KBOR STUDENT HEALTH INSURANCE PLAN (SEE ISSUE PAPER BELOW)

***FISCAL-JANUARY 19, 2012 AGENDA – DISCUSSION (DIANE DUFFY)***

1. KU- EXPAND THE EDWARDS CAMPUS METRO KC WAIVER (SEE ISSUE PAPER BELOW)

**OTHER COMMITTEE MATTERS**

1. Agenda items for February 15 meeting:
  - a. FAA Topics on the Board's Agenda
  - b. Review of Annual Audits and Reports including Internal Auditor Reports, 990 Reviews, Affiliated Corporations Reports, and Non-controlled Corporations Reports, External Management Review – Change of CEO at ESU and State University Annual Financial Reports.
  - c. Legislative Post Audits -- KBOR: Evaluating the Effects of Eliminating the Kan-ed program and State Employee Residence: Assessing Potential Increases in Revenues by Requiring State Employees to Reside in Kansas
2. Next Committee Meeting will be Wednesday, February 15, 11:00-Noon

## AUTHORIZE EXECUTION OF CONTRACT WITH MHECare FOR THE KBOR STUDENT HEALTH INSURANCE PLAN

### **Summary and Staff Recommendation**

*In February 2007, the Kansas Board of Regents (Board) approved entering into a contract with UnitedHealthCare – Student Resources to provide health insurance coverage for students at the state universities. The initial three-year contract was effective August 1, 2007, and the Board approved two additional one year extensions. The Board’s Student Insurance Advisory Committee now recommends that the Board enter into a new contract with MHECare, which utilizes the same insurance company, and that for the upcoming Plan Year the Board waive the administrative fee and continue to retain the local consultant, Peoples Benefit Group. The recommendation has been reviewed and endorsed by the Council of Business Officers and the Council of Presidents. Staff supports this recommendation and requests that the Board authorize execution of the contract.*

### **Student Insurance Plan**

During its 2006 Session, the Kansas Legislature enacted a provision authorizing the Board of Regents to enter into group health insurance contracts to provide health and accident insurance coverage for health care services for all students attending a state educational institution and such students’ dependents. Previously, health insurance coverage for student employees was offered through the Kansas State Employees Health Care Commission.

In February 2007, the Board approved the recommendation of Board staff, the Council of Presidents and the Council of Business Officers to select UnitedHealthCare – Student Resources (UHC-SR) as the provider for the KBOR student health insurance plan. The contract includes a 1.5% administrative fee that was built into the premium to cover the Board’s administrative costs for consulting services and Board staff. The initial contract was for a three year period from August 1, 2007, to July 31, 2010, and the Board subsequently approved two one year extensions. The latest extension will expire on July 31, 2012.

The Board’s student insurance plan is a voluntary plan; no student is required to purchase insurance through the plan. All international students are required to maintain health insurance coverage acceptable to the university they attend and can voluntarily elect to enroll in the KBOR student plan. Graduate students, who meet eligibility requirements and who enroll in the KBOR student insurance plan, pay 25% of the student only premium and the university pays 75% of the premium.

### **Student Insurance Advisory Committee**

In June 2007, the Student Insurance Advisory Committee (SIAC) was created to serve in an advisory capacity to the Council of Business Officers (COBO) for the student insurance plan. Each of the seven state campuses has its own university advisory subcommittee and the chair of each of those subcommittees sits on the SIAC. Two student representatives, nominated by the

Student Advisory Council, also sit on the SIAC, which is chaired by a member of COBO or their designee. The SIAC receives consulting services from Peoples Benefit Group (PBG) out of Topeka, Kansas.

Knowing that the current contract was due to expire, the SIAC began exploring plan options and premium information provided by UHC-SR for Plan Year 2012-2013. The SIAC requested various plan designs for consideration including i) the current KBOR plan, ii) a Midwest Higher Education Compact student health insurance product called MHECare standard low option plan, and iii) two different alternatives under the MHECare umbrella, with varying benefit enhancements to the current plan but less than the MHECare standard low option plan. The SIAC reviewed plan options with their campus subcommittees, comprised of administrative and student representatives.

### **MHEC Advantages**

The Midwestern Higher Education Compact (MHEC) is one of four statutorily-created interstate compacts founded in 1991. Kansas is a member of MHEC which includes twelve mid-western states. MHEC enhances member states' ability to maximize higher education opportunity and performance through collaboration and resource sharing. Regent Perkins and President Tompkins are two of the current Kansas commissioners for MHEC.

MHEC created MHECare in response to growing health care costs across the nation and the need to find a sustainable solution for member colleges and universities. With the immense number of students within the region, approximately 4 million, MHEC has the opportunity to take advantage of the economies of scale that provide purchasing power for lower rates, more efficient administration and richer health reform-complaint benefits for students.

The MHEC Student Health Benefits Advisory Committee,<sup>1</sup> along with Mercer (hired by MHEC to provide consulting and program administrative service), issued an RFP. Through the competitive bid process UnitedHealthCare – Student Resources (UHC-SR) was selected to design and develop student insurance plans specifically for the MHEC-member states. UHC-SR was selected because it specializes in student health insurance plans, has a national network of health care providers, has excellent web-based educational and support tools and offers competitive rates. The KBOR student insurance plan has been underwritten by this carrier since 2007, and the campuses have found UHC-SR to be responsive, flexible, and professional in how they interact with and respond to administrators and enrolled students. UHC-SR continues to meet and exceed all contractual performance guarantees.

By moving the KBOR student health insurance plan from a stand-alone plan to MHEC, there will be several advantages:

1. The plan will have an improved target loss ratio. With the purchasing power of MHEC, the expectation is that administrative costs will be reduced because plans will be more standardized and streamlined. The KBOR plan's target loss ratio will increase from 75% to 76%, resulting in 24% of premiums received will be used for plan administration with the balance used for claims payment.

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<sup>1</sup> Diana Malott, Associate Director at KU's Student Health Services, is a member of the MHEC Student Health Benefits Advisory Committee.

2. The plan will participate in a contingency arrangement. UHC-SR will offer a return of premiums paid under the contingency arrangement if all of MHEC’s aggregate claims experience is favorable compared to the target loss ratio. As participation in MHEC’s plans increase over time, the target loss ratio will increase up to 80%. The return of premium will be paid on a pro-rata basis calculated on the total premium paid by each member institution. Currently, the KBOR student insurance plan does not have a contingency arrangement.
3. The plan will be part of the larger MHEC umbrella and, as the group increases in size, the rates will be more stable over time due to the spread of risk.<sup>2</sup>
4. The plan will benefit from MHEC’s research and compliance capabilities as federal health care reform regulations are issued and determinations are made about their impact on student insurance plans.

**Recommendations**

After requesting modifications to the plan design and receiving additional information, the SIAC unanimously supported the following:

1. Move the KBOR student health insurance plan under the MHEC umbrella;
2. Modify the current KBOR plan instead of selecting a standard MHECare option;
3. To help minimize the premium increases, do not assess the KBOR 1.5% administrative fee for one plan year, instead utilizing the existing fund balances to pay for plan related expenses; and
4. Retain the local consultant for one more plan year and during that year evaluate the PBG services compared to those services provided by Mercer under the MHECare contract.

The plan option recommended by the SIAC is “Alternate 1,” which represents an annual increase to the student only premium from \$1,081 to \$1,148 or 6.20%. With the current medical trend between 10-12%, to get enhancements to the KBOR student insurance plan with the modest increase is a testament to the work of the SIAC and UHC-SR. The premium rate includes a 2% add-on for the MHECare plan which represents 1.5% for Mercer’s consulting services and 0.5% for MHEC.<sup>3</sup>

A comparison of the benefits is provided below with changes highlighted in yellow.

| <b>Benefit Comparison between current KBOR Student Insurance Plan (PY 11-12) and proposed MHECare Plan (PY 12-13)</b> |                              |                    |                              |                    |
|---|------------------------------|--------------------|------------------------------|--------------------|
|   | <b>Current KBOR Plan</b>     |                    | <b>Alternate 1</b>           |                    |
| <b>Annual Student Rate</b>  | <b>\$1,081</b>               |                    | <b>\$1,148</b>               |                    |
| <b>Benefit</b>  | <b>In network</b>            | <b>Non-network</b> | <b>In network</b>            | <b>Non-network</b> |
| <i>Max benefit each policy year</i>   | \$100,000 per illness/injury |                    | \$100,000 per illness/injury |                    |
| <i>Medical Loss Ratio</i>   | 75%                          |                    | 76%                          |                    |
| <i>Contingency Fund Available</i>   | No                           |                    | Yes                          |                    |

<sup>2</sup> How (and whether) health care reform will impact rates for all health insurance plans, including student insurance plans, is unknown at this time. Under the current reform legislation, in 2013 the minimum policy requirements will be \$2.5 million, where the Board’s current plan has a \$100,000 maximum benefit per policy year, per illness/injury. And, in 2014, there will be no minimum policy requirement. If those reform requirements remain enforce, premiums for health insurance plans will skyrocket. Alternatives may be available, including health care exchanges, but are unknown at this time.

<sup>3</sup> The Mercer add-on is scheduled to decrease with the addition of more covered lives. With 20,000 lives it will decrease to 1.3% and additional decreases as the number of covered lives increase.

|  |  |   |  |   |
|--|--|---|--|---|
| <i>Pre-existing Conditions</i>   | In excess of \$0 - Condition that existed 12 months prior to the effective date will not be covered until the student has been insured for 9 months unless individuals have been continually covered under the school's student insurance policy for at least 9 months (or a comparable plan). |   | In excess of \$0 - Condition that existed 12 months prior to the effective date will not be covered until the student has been insured for 9 months unless individuals have been continually covered under the school's student insurance policy for at least 9 months (or a comparable plan). |   |
| <i>Deductibles - Waived for services at student health centers (SHS)</i>   | \$250 Per Policy Year<br>\$300 Per Policy Year(Dependent)  | \$250 Per Policy Year<br>\$600 Per Policy Year(Dependent)                   | \$300 Per Policy Year<br>(same for Dependent)  | \$600 Per Policy Year<br>(same for Dependent)                               |
| <i>Out-of-pocket maximum</i>   | \$25,300   | \$66,600  | \$10,000   | \$20,000  |
| <i>Coinsurance for most services, after deductible</i>   | Plan Pays 80% after deductible (70% for Dependents)  | Plan Pays 60% after deductible (50% for Dependents)                         | Plan Pays 80% after deductible (same for Dependent)  | Plan Pays 60% after deductible (same for Dependent)                         |
| <b>Benefit Comparison between current KBOR Student Insurance Plan (PY 11-12) and proposed MHECare Plan (PY 12-13)</b>  |  |   |  |   |
|  | <b>Current KBOR Plan</b>   |   | <b>Alternate 1</b>   |   |
| <b>Benefit</b>   | <b>In network</b>  | <b>Non-network</b>  | <b>In network</b>  | <b>Non-network</b>  |
| <i>Emergency room</i>  | \$100 copay per visit, waived if admitted, in addition to policy deductible  | \$100 copay per visit, waived if admitted, in addition to policy deductible | \$100 copay per visit, waived if admitted, in addition to policy deductible  | \$100 copay per visit, waived if admitted, in addition to policy deductible |
| <i>Physician office visits, Including preventive care</i>  | Plan pays 80% after deductible   | Plan pays 60% after deductible  | \$25 copay, then plan pays 100%  | Plan pays 60% after deductible  |
| <i>Lab and x-ray</i>   | Plan pays 80% after deductible (\$5 copay at SHS)  | Plan pays 60% after deductible  | Plan pays 80% after deductible (\$5 copay at SHS)  | Plan pays 60% after deductible  |
| <i>Prescription drugs copays, 31-day supply. Benefits only at SHC and United Healthcare Network Pharmacies</i><br><br><i>Prescriptions not subject to plan deductible.</i> | At SHS \$5 generic co-payment. Contraceptives covered up to \$15/month<br><br>30% coinsurance for brand name.<br><br>United Healthcare Rx \$15 Tier 1<br>30% coins. Tier 2.<br>Aggregate \$1,000 max<br><br>Acne not covered   | No benefit  | At SHS \$5 generic co-payment, including contraceptives.<br><br>30% coinsurance for brand name.<br><br>United Healthcare Rx \$15 Tier 1<br>30% coins. Tier 2.<br>Aggregate \$2,500 max<br><br>Acne not covered   | No benefit  |
| <i>Outpatient Psychotherapy</i>  | \$3,000 Per Policy Year<br>\$10,000 max limit  | \$3,000 Per Policy Year<br>\$10,000 max limit                               | \$3,000 Per Policy Year<br>\$10,000 max limit  | \$3,000 Per Policy Year<br>\$10,000 max limit                               |
| <i>Medical evacuation and repatriation</i>   | Scholastic Emergency Services, Inc.  |   | Scholastic Emergency Services, Inc.  |   |
| <i>ADD Testing (Not Treatment)</i>   | No benefits  |   | Covered  |   |
| <i>Congenital Conditions</i>   | No benefits  |   | Covered to \$20,000  |   |
| <i>Club Sports</i>   | No benefits  |   | Covered  |   |

These recommendations were endorsed by the Council of Business Officers as well as the Council of Presidents. Staff supports these recommendations. If approved, General Counsel will work with MHEC to prepare a contract for the Board's student insurance plan effective August 1, 2012. The contract will be for a three year pe

## **Proposal to the Board of Regents Edwards Campus MetroKC Tuition Waiver**

The University of Kansas (KU) currently offers a MetroKC tuition waiver for graduate and undergraduate students from four Missouri counties (Clay, Cass, Jackson and Platte) who are taking courses at the Edwards Campus. Graduate students from those counties pay tuition at resident rates. The waiver for undergraduate students is one-half of the difference between non-resident and resident tuition rates (currently \$198.15 per credit hour) with a limit of six credit hours.

KU proposes several changes to the current Edwards Campus MetroKC tuition waiver program effective Fall 2012:

- Increase the MetroKC tuition waiver for undergraduate students to the full difference between resident and non-resident rates for courses taken at the Edwards Campus and remove the credit hour ceiling.
- Apply the waiver to graduate and undergraduate students from the following additional Missouri counties: Buchanan, Clinton, Ray, Lafayette, Johnson, Henry, and Bates. With this change, students from eleven Missouri counties in the Kansas City Metro area will be eligible for the Edwards Campus MetroKC Waiver.
- Extend the tuition waiver to students who are not degree seeking.

The request is being brought forward at this time so that the waiver can be effective in Fall 2012. Because the Edwards Campus serves graduate students and transfer students the marketing of the new waiver can begin immediately and have an impact in the fall semester.

### **Statement of Purpose:**

The present cost of undergraduate education at the Edwards Campus is not competitive for Missouri residents who wish to pursue an undergraduate degree from KU in Kansas City. Providing the same MetroKC tuition waiver for undergraduate students as we do for current graduate students will increase the number of Missouri students attending KU Edwards who would otherwise not attend KU. We expect that the proposed waiver will increase enrollment and net tuition revenue. It also expands the impact KU will have on workforce and economic development in Kansas City. This proposal is also responsive to the Foresight 2020 goal of increasing out-of-state enrollments.

Increasing the number of counties in the program and extending the tuition waiver to non-degree seeking students also will strengthen our ability to attract professionals in social welfare and education who are continuing their education. It will also make the two-plus-two program in Social Welfare more attractive to those students from the four community colleges on the Missouri side of the state line. The KU School of Social Welfare is the only public university that offers the Bachelor of Social Work in the Kansas City area. Post-grad professionals needing SW863 for LSCSW/LCSW currently cannot receive the KC Metro rate since they must be admitted as a non-degree seeking student.

We have always taken pride in being known as KU’s campus for greater Kansas City but we haven’t been able to recruit students from the Missouri side. A revised MetroKC tuition waiver for the KU Edwards Campus will attract a new market of students who otherwise would not choose to attend KU. It also will demonstrate to the greater Kansas City community another way that KU is having an impact on Kansas City’s workforce and economic development.

While the MetroKC tuition waiver has been modestly promoted by the Edwards Campus, there haven’t been many undergraduate students from Missouri making inquiries under the current program. The total number of undergraduate students who enrolled in classes and received the MetroKC waiver is less than 2% of our total undergraduate population at the Edwards Campus each semester.

As we continue to expand our undergraduate programming at the Edwards Campus, it would be beneficial to be able to market the programs to all of Metro Kansas City and be able to recruit undergraduate students from all five Metropolitan Community College (MCC) campuses with enrollment of roughly 18,000 students.

**MetroKC Tuition Waiver’s Eligibility Requirements**

- Only applies to classes offered on the KU Edwards Campus which are generally upper level (junior/senior) and graduate level courses offered in the evening.
- Applies to all students from the eleven Missouri counties who are degree seeking and non-degree seeking and taking courses offered at the KU Edwards Campus.
- Students must have lived the past 12 consecutive months in Clay, Cass, Jackson, Platte, Buchanan, Clinton, Ray, Lafayette, Johnson, Henry, or Bates counties in Missouri.

Students seeking daytime classes, courses not offered at the KU Edwards Campus, or the traditional college experience still will go to the Lawrence campus and be assessed non-resident tuition rates. Based on our experience with the current tuition waiver, we believe this proposal will have virtually no impact on Lawrence Campus enrollment from these eleven Missouri counties.

**Waiver Amounts**

The current tuition waiver for undergraduate students is \$198.15 per credit hour with a limit of six credit hours. The University proposes to increase the tuition waiver to \$396.30 per credit hour and remove the cap on credit hours.

The proposed tuition waiver would make the KU Edwards Campus more competitive when compared to our top competitor (UMKC):

|           |                       |       |
|-----------|-----------------------|-------|
| Business: | UMKC                  | \$371 |
|           | Present KUEC MetroKC  | \$670 |
|           | Proposed KUEC MetroKC | \$472 |
| CLAS      | UMKC                  | \$351 |
|           | Present KUEC MetroKC  | \$561 |
|           | Proposed KUEC MetroKC | \$363 |

Graduate students from four Missouri counties currently receive a tuition waiver of \$420.30 per credit hour. The University proposes to extend the same tuition waiver to graduate students from seven additional counties.

### **Financial Impact**

We project that inquiry volume and conversion from undergraduate students in the eleven Missouri counties will increase significantly with the increased tuition waiver. We anticipate the number of inquiries will double to over 200 per year with the conversion increasing from 16% to over 45%. With the higher inquiry and conversion rates, and with the removal of the limit on credit hours, we anticipate incremental net revenue in the amount of \$17,331 in the first year.

We expect that inquiry volume and conversion of graduate students from the additional seven counties proposed will increase as well. In 2011 only 5 graduate student inquiries were received from these additional seven counties. Through blended programs like those offered by the School of Social Welfare's MSW program, students can take half of each class online and half in-person on Saturdays. For the KU Edwards Campus, blended programs are where potential student growth at the graduate level exists with the expansion of the MetroKC Tuition Waiver into these seven counties. We estimate that the MSW program would gain 15 incremental students the first year, resulting in approximately \$18,361 of incremental net revenue. Also, we expect to see an increase in educators taking courses for teacher certification/continuing education if we remove the "degree seeking" requirement. A conservative estimate would be 15 new, non-degree seeking students a year taking classes for teacher certification/continuing education, adding \$6,332 of incremental net revenue per year.

It is difficult to accurately project the growth in graduate enrollment due to expansion of the Metro KC Tuition Waiver into these counties. We are confident that there is no downside and lots of upside as more KU Edwards degree programs begin to offer blended course options.

### **Waiver Assessment**

There is adequate capacity at the Edwards Campus to increase enrollment from the current level of 4,400 seats per week to almost 17,000 seats per week with the new BEST building. Our goal is to enroll 81 additional undergraduate and 30 additional graduate students each year.