University of Nebraska System

November 25, 2024

Senator Robert Clements
Chair, Appropriations Committee
PO Box 94604, State Capitol, Room 1004
Lincoln, NE 68509

Dear Senator Clements,

LB 620, enacted during the 2013 legislative session, requires the University of Nebraska to present, on or before December 1 of each year, its plan regarding the management of the University's health care insurance programs and its health care trust fund to the Appropriations Committee of the Legislature.

Enclosed is the University's report for the year ended December 31, 2023. The report provides an overview of the University's health plan, chronicles financial activity for the year, and offers insights into the plan's trends.

The University of Nebraska is proud of the prudent management of its health plan, which has positioned us to provide competitive, affordable benefits to our employees – our greatest asset – and their families. These are challenging times for health care, but we are committed to offering quality health benefits that meet the needs of our employees and help us retain and attract additional talent for Nebraska.

If you should have any further questions about the University's plan, please do not hesitate to contact me.

Sincerely,

Anne Barnes

Anne Barnes
Interim Vice President and Chief Financial Officer

cc: Suzanne Houlden, Legislative Fiscal Office

Office of Business and Finance
Varner Hall | 3835 Holdrege Street | Lincoln, NE 68583-0742 | 402.472.0742 | nebraska.edu

University of Nebraska
Health Insurance Plan Annual Report

Year Ended December 31, 2023

Executive Summary

This report is designed to meet a reporting mandate established by the Nebraska Legislature requiring an annual report be filed detailing operating activity of the University of Nebraska's health plan operations each year. This report covers the University's plan year January 1 through December 31 of 2023.

The University of Nebraska's strategic objective is to recruit and retain exceptional faculty and staff. One of the most highly valued benefits is medical, dental and pharmacy coverage. In one national survey, 73 percent of workers said that the insurance provided by their employer was a "very important" factor in their decision to take or keep a job[i].

This report documents that the University of Nebraska's health insurance plan continues its track record of providing this benefit at a reasonable cost with operating results reflective of national trends. Success in any health plan rests largely with members taking control of their health through adopting healthy lifestyles, taking advantage of preventive screenings, having regular visits with health professionals, and adhering to drug and other prescribed therapies.

After relatively stable results in 2022, plan volatility returned in 2023, driven by high-cost claims and possibly an acceleration of elective visits/procedures before the change in medical, pharmacy and dental third-party administrators on January 1, 2024 (UMR was replaced by BlueCross BlueShield Nebraska as the third-party administrator for medical claims, CVS Caremark was replaced by EmpiRx Health as the third-party administrator for pharmacy claims, and Ameritas was replaced by BlueCross BlueShield Nebraska as the third-party administrator for dental claims). The plan experienced a similar result in 2018 when a comparable transition of the third-party administrators for medical and dental claims took place. Our hope is that this is a one-year aberration and that future years will result in stable financial performance.

Overall, total premiums and income fell short of total claims and expenses by approximately $17 million in calendar 2023, compared to approximately $2 million in calendar 2022.

Premiums and income increased by about 12 percent in 2023, driven primarily by an average 10 percent increase in medical premium rates.

A 20 percent increase in claims and expenses was driven primarily by a 22 percent increase in medical claims and 19 percent increase in pharmacy claims. 2023 marks the second year of

double-digit or near double-digit growth in medical claims in the past three years and the third year of double-digit or near double-digit growth in pharmacy claims in the past four years.

In summary, the University of Nebraska is proud to provide a competitive, cost-effective health insurance plan to its employees and their families. We believe the University's plan is well managed, provides competitive benefits, and is favorably positioned to serve employees' future health needs despite the increasingly uncertain challenges facing the healthcare industry.

University of Nebraska Strategic Objective:

Recruit and retain exceptional faculty and staff

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Plan Overview

The University of Nebraska offers a preferred provider (PPO) "self-insured" health plan providing medical, dental, and pharmacy coverage to its employees and their families. Most employers the size of the University are self-insured for medical coverage as it gives them more control over plan design. In addition, any 'profits', typically built into insurance company prices, are retained by the plan and its participants.

The University utilized the expertise of the following outside parties to assist in the administration of the plan in 2023:

Entity	Description of Service Provided
UMR	Third-party administrator for medical claims
CVS Caremark	Third-party administrator for pharmacy claims
Ameritas	Third-party administrator for dental claims
Principal Financial	Trustee
Milliman	Independent actuaries – provide projections used to set premiums

As mentioned earlier, beginning January 1, 2024, certain outside party relationships changed. BlueCross BlueShield Nebraska replaced UMR as the third-party administrator for medical claims, EmpiRx Health replaced CVS Caremark as the third-party administrator for pharmacy claims, and BlueCross BlueShield Nebraska replaced Ameritas as the third-party administrator for dental claims.

The plan, which operates on a calendar year basis, collects premiums through payroll deductions from eligible, participating employees and combines them with employer (University) premium contributions. The plan deposits these funds into a trust account held by the trustee, Principal Financial Group. Under state law, the Board of Regents is fully empowered to establish trust accounts, as they ensure the funds are protected and, in this case, can only be spent for healthcare purposes.

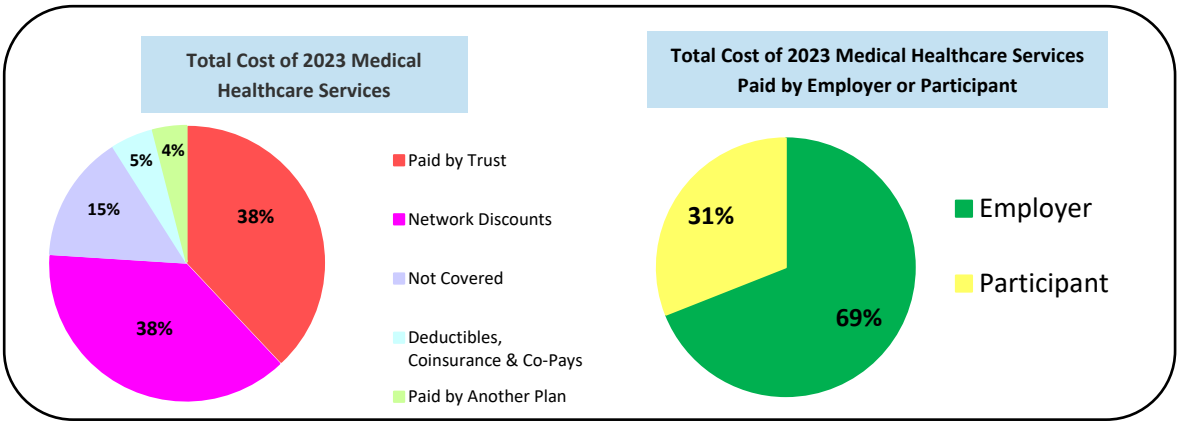
When covered employees and their dependents incur healthcare expenses, health providers (hospitals, doctors, pharmacies) send their bills to either (a) UMR, a UnitedHealthcare Company (UMR) for medical claims, (b) CVS Caremark (CVS) for pharmacy claims, or (c) Ameritas for dental claims. UMR, CVS, and Ameritas, as third-party administrators, assure that the submitted claims are valid using coverage criterions, limits, deductibles, and co-pays as set by the University. When UMR, CVS, and Ameritas pay claims, they are reimbursed by Principal Financial Group, the trustee, for the claims cost plus an administrative fee.

Premiums charged to both the employer and employees are designed to cover the plan's projected claim costs plus administrative expenses. Employees electing medical benefits are assessed a premium intended to cover medical and pharmacy costs, while employees electing dental benefits are assessed a separate premium intended to cover dental costs. Any potential changes in premiums, which become effective on January 1, are established by University

management each fall after analyzing Milliman's actuarial expense projections, which are based on a combination of University internal experience along with Milliman's book of business experience. University management reviews the plan's projected premiums and anticipated expenses with the President and Chancellors before finalizing employee premiums for the upcoming year.

For the years ended December 31, 2023 and 2022, approximately 79 percent of premium income was contributed by the employer and 21 percent of premium income was contributed by the employee. University employees selecting basic coverage pay between 20 percent and 29 percent of the total medical premium depending upon the coverage selected. While the University offers a variety of coverage options, a majority of the employees are enrolled in basic medical coverage for a "family" or "employee+one", both of which have close to a 79/21 percent employer/employee contribution ratio.

It is also worth mentioning the healthcare costs paid by the health trust with premium contributions are but a portion of the total cost of healthcare services provided under the University's plan. A substantial portion of the cost of healthcare services is paid for by another plan (i.e., Medicare), paid for by the participant through deductibles, coinsurance & co-pays, discounted through network agreements, or simply not covered, as demonstrated in the graphs below for medical healthcare services:



The preceding pie chart shows the 79/21 percent employer/employee premium contribution ratio is not reflective of the total expenses borne by each party. In fact, when counting deductibles, coinsurance and co-pays, participants pay roughly one-third of the total cost. It is likely the total cost of medical healthcare services paid by the participant is even greater, as a portion of medical healthcare services "not covered" or "paid by another plan" were possibly costs ultimately borne by the participant.

Members of the Board of Regents are kept apprised of the plan's performance through updates provided to the Business & Finance Committee.

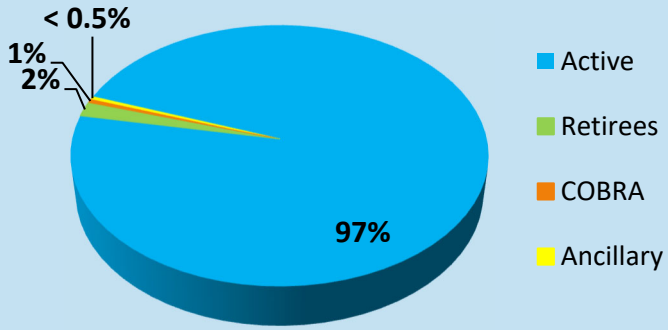
Enrollment and Demographics

The University's health plan had 11,734 medical participants as of December 31, 2023, 33 more than the prior calendar year-end. When including family members, the plan had an average annual medical membership of approximately 28,000 covered lives.

The number of individuals in each participant group was relatively unchanged for 2023.

University retirees can belong to the plan but must pay the entirety of their premium, which is computed separately by plan actuaries from that of active employees. The number of retirees in the plan continues to drop, decreasing 11 percent in 2023. This is attributed to favorably priced "gap" policies available in the marketplace that when combined with a base of Medicare coverage are financially more attractive than the plan offered by the University.

University ancillary members, who are specifically approved for membership by the Board of Regents, also pay the entirety of their premiums without any University contributions. Presently, the National Strategic Research Institute is the primary ancillary member.



University of Nebraska
Number of Health Plan Participants - Medical

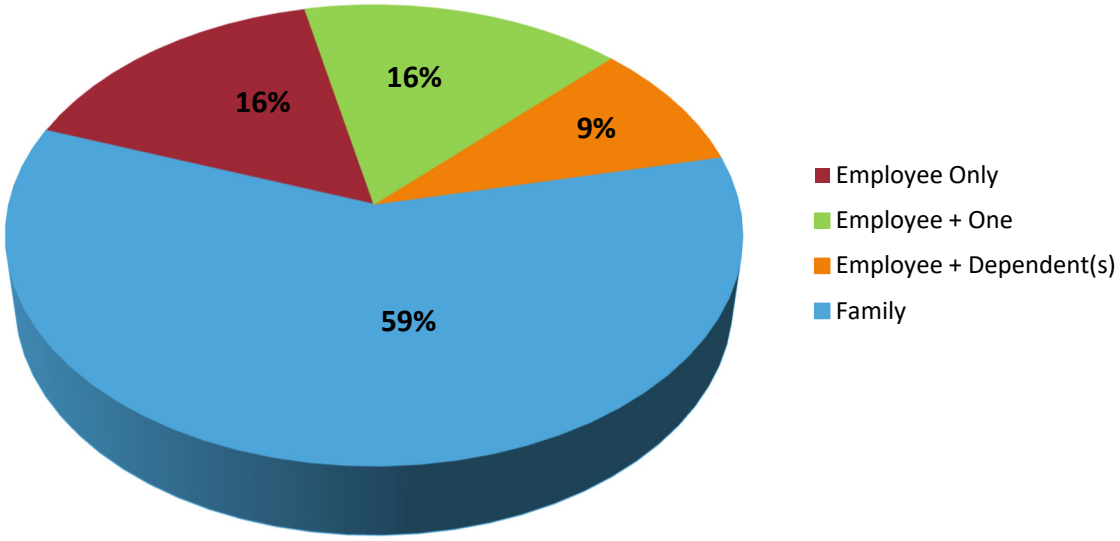
	Dec 2023	Dec 2022	Change Number	Change Percent
Active Employees	11,429	11,360	69	1%
Retirees	213	239	(26)	(11)
Ancillary Members	33	26	7	27
Cobra	59	76	(17)	(22)
Total	11,734	11,701	33	0%

Demographically, covered lives for medical benefits were about 52 percent female and 48 percent male. Average age for all covered lives for medical benefits was 34 years.

In terms of covered lives for medical benefits, the average number of members for 2023 increased from 2022, with small increases in the "employee only" and "family" categories being partially offset by slight decreases in the other two categories.

	Covered Lives for Medical Benefits					
	Average - 2023		Average - 2022		% Change	
	Members	% of Total	Members	% of Total	Members	%
Employee Only	4,560	16%	4,459	16%	101	2%
Employee + One	4,388	16	4,418	16	(30)	(1)
Employee + Dependent(s)	2,490	9	2,508	9	(18)	(1)
Family	16,681	59	16,678	59	3	0
Totals	28,119	100%	28,063	100%	56	0%

University of Nebraska
Health Plan Medical Benefit Membership by Category



The plan originally offered three levels of medical coverage: low, basic, and high, with each (respectively) offering increasing levels of coverage. The high plan has much lower deductibles and coinsurance but higher premiums compared to the low plan. In 2019, a fourth level was added – the qualified high deductible plan, which has much higher deductibles but lower coinsurance than the other levels and a premium that is comparable to the low plan. Enrollments shifted ever-so-slightly in 2023 through participant growth in the qualified high deductible plan, with about 66 percent of participants choosing the basic plan, 14 percent the low plan, 12 percent the high plan, and 8 percent the qualified high deductible plan.

The University of Nebraska's health plan had average annual medical membership of approximately 28,000 covered lives (employees and their family members)

Financial Performance

The University health plan's financial results for the years ended December 31, 2023 and 2022 are shown below (cash basis in thousands). A more detailed description of the plan's income, expenses and calendar year activities is provided in the following sections.

Plan income again fell short of plan expenses in 2023, though substantially more so in 2023, resulting in a $15.2 million decrease in net activity as compared to 2022. This decrease in net activity between years was driven by a 20 percent increase in total claims and expenses, which more than offset a 12 percent increase in total premiums and income.

The primary reason for the increase in plan income in 2023 is attributable to the average 10 percent increase in medical premium rates, which marked the sixth time in the past seven years that the medical premium rate has increased after several years which saw no increase in the medical premium rates.

The increase in plan expenses is primarily attributable to a 22 percent increase in medical claims and a 19 percent increase in pharmacy claims. These substantial increases were complemented by a 5 percent increase in dental claims and a 4 percent increase in other expenses.

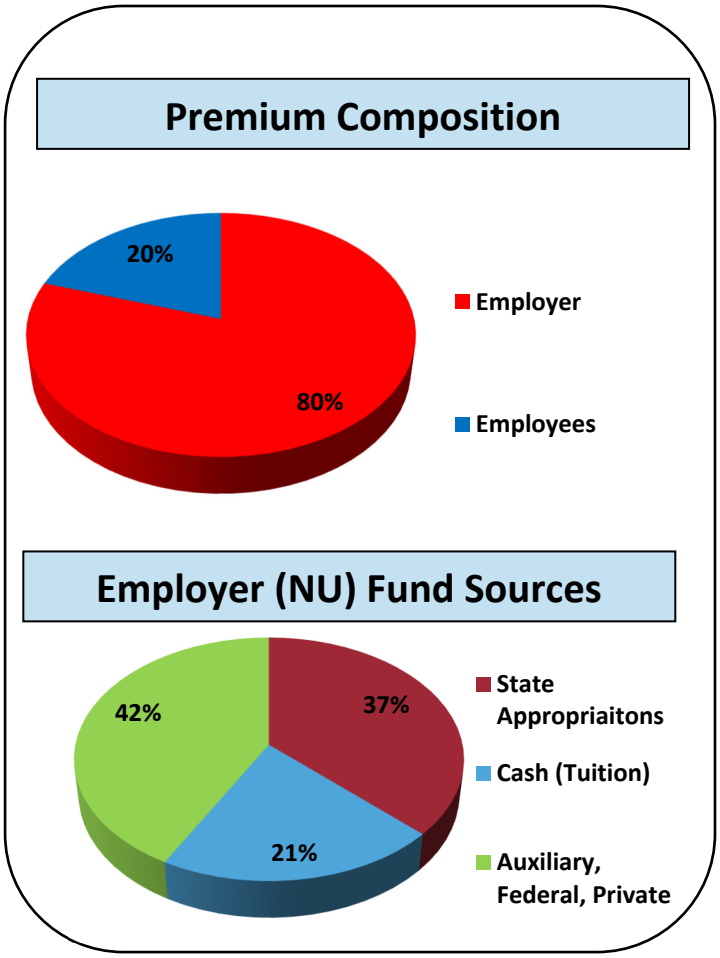
University of Nebraska Health Plan
Schedule of Income, Expenses, and Net Activity
Cash Basis (thousands)

	Actual 2023	Actual 2022	Year-over-Year Change Dollars	Year-over-Year Change Percent
Employer Premiums	$ 149,343	$ 135,326	$ 14,017	10%
Employee Premiums	38,389	35,152	3,237	9
Retiree, Ancillary, Cobra Premiums	5,166	5,252	(86)	(2)
Trust Investment Income	822	823	(1)	(0)
Pharmacy Rebates & Discounts/Misc	20,497	14,696	5,801	39
Total Premiums and Income	214,217	191,249	22,968	12
Medical Claims	150,659	123,944	26,715	22
Pharmacy Claims	66,375	55,547	10,828	19
Dental Claims	9,590	9,132	458	5
TPA, ACA, and Other Expenses	5,140	4,940	200	4
Total Claims and Expenses	231,764	193,563	38,201	20%
Net Activity	$ (17,547)	$ (2,314)	$ (15,233)	

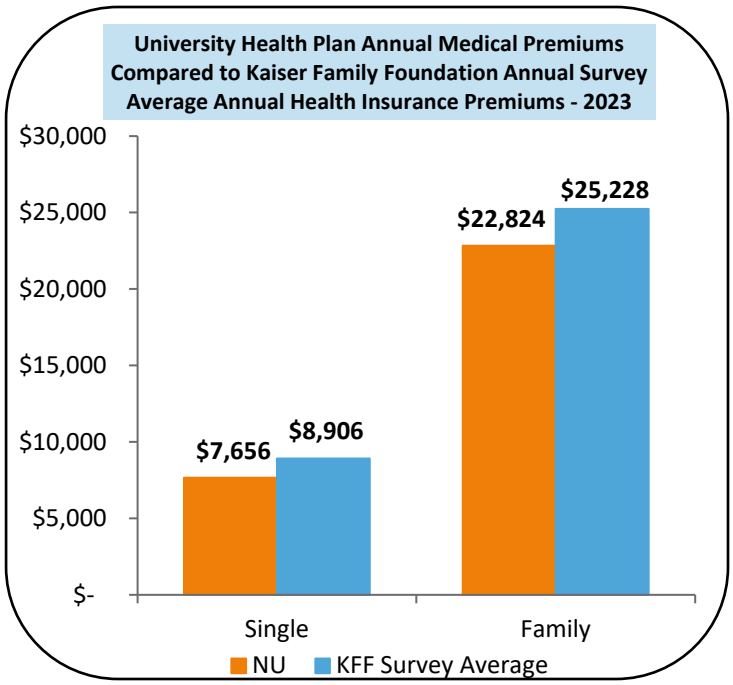
Income

The University's health plan is funded from a variety of sources, although employer and employee premiums account for the bulk (88 percent) of the plan's income. Employer premiums are funded primarily from state appropriations (37 percent); cash funds such as tuition (21 percent); and self-supporting business-type activities (auxiliaries), federal grants and contracts, & other sources (42 percent).

The plan's remaining income comes from retirees, ancillaries, and Cobra electees (2 percent), and investment income and pharmacy rebates & discounts/misc (10 percent).



For the year ended December 31, 2023, the plan's income from employer and employee premiums increased by about 10 percent. This was primarily the result of an average 10 percent increase in medical premium rates in 2023. Additionally, dental premium rates increased by an average of over 4 percent in 2023 (only the second increase since 2014). Finally, these premium increases were complemented by a 1 percent increase in average annual medical participants in 2023.



As pharmacy claims continue to climb, so do pharmacy rebates/discounts, which increased from $14.7 million in 2022 to $20.0 million in 2023. Also note that pharmacy rebates/discounts do not include approximately $1.6 million in rebates received in 2023 and 2022 which were utilized to support benefit administration in the University's state-aided budget rather than deposited in the health trust. The rebates/discounts are a result of the University's membership in the Employers Health consortium, a buying coalition that offers additional rebates and discounts to the plan based on combined purchasing power.

The University offers a very competitive premium pricing structure. Annual medical premiums (employer plus employee) under the University's basic coverage plan are lower than the average

annual health insurance premiums as reported in the Kaiser Family Foundation Employer Health Benefits 2023 Annual Survey[ii] by approximately 14 percent for single and 10 percent for family coverage.

Expenses

Medical Expenses

The plan's medical claims increased by approximately 22 percent for the calendar year. Medical claims in 2023 and 2022, arrayed by amount of medical claims per covered lives, were as follows:

University of Nebraska
2023 Medical Claims Distribution (Claims in Thousands)

Total Claims/Member	Covered Lives	Percent of Lives	Amount	Percent of Claims $$
Less than $5,000	22,909	83%	$ 23,908	16%
$5,000 to $9,999	2,038	7	14,148	9
$10,000 to $24,999	1,775	6	27,979	19
$25,000 to $49,999	614	2	21,180	14
$50,000 to $99,999	274	1	18,941	13
$100,000 to $199,999	132	1	18,281	12
$200,000 and above	59	0	25,479	17
	27,801	100%	$ 149,916	100%

Note: only persons presenting claims are included in this analysis. Claim amounts and covered lives are per UMR.

University of Nebraska
2022 Medical Claims Distribution (Claims in Thousands)

Total Claims/Member	Covered Lives	Percent of Lives	Amount	Percent of Claims $$
Less than $5,000	23,407	84%	$ 23,282	19%
$5,000 to $9,999	1,811	7	12,745	10
$10,000 to $24,999	1,689	6	26,190	21
$25,000 to $49,999	495	2	16,780	14
$50,000 to $99,999	214	1	14,506	12
$100,000 to $199,999	110	0	14,858	12
$200,000 and above	42	0	14,930	12
	27,768	100%	$ 123,291	100%

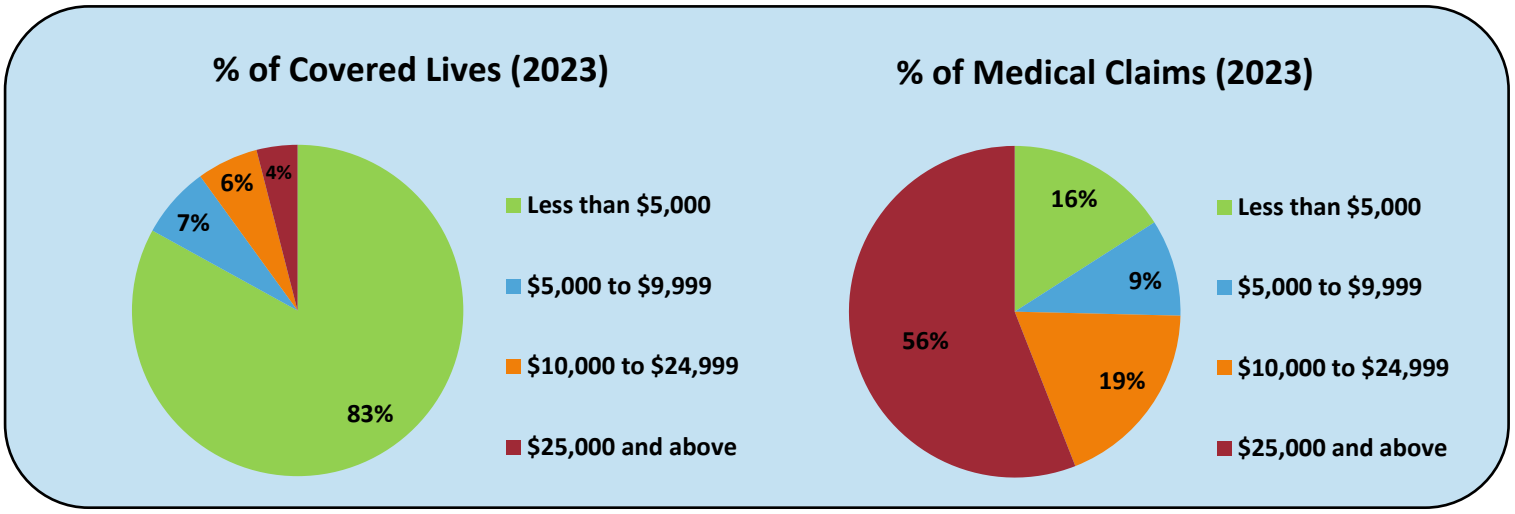
Note: only persons presenting claims are included in this analysis. Claim amounts and covered lives are per UMR.

Note that the table above shows medical claims paid by UMR, a UnitedHealthcare Company (UMR) during the reporting period and therefore may not be consistent with amounts paid by the trustee.

Costs associated with high-cost claimants tend to be the main driver of costs.

As is typical in health plans, costs associated with high-cost claimants tend to be the main driver of costs. As can be seen in the table on the previous page and the charts below, in 2023 (with parentheticals showing 2022 figures):

- The top 3-4 percent of the covered lives accounted for 56 percent (50 percent) of medical claims.
- Covered lives with medical claims of $10,000 and above accounted for 75 percent (71 percent) of medical claims.
- Covered lives with medical claims of $25,000 and above were the primary driver of the approximately $27 million increase in medical claims in 2023.
- 83 percent (84 percent) of the covered lives had medical claims of less than $5,000.
- Covered lives with medical claims of less than $5,000 accounted for just 16 percent (19 percent) of medical claims.

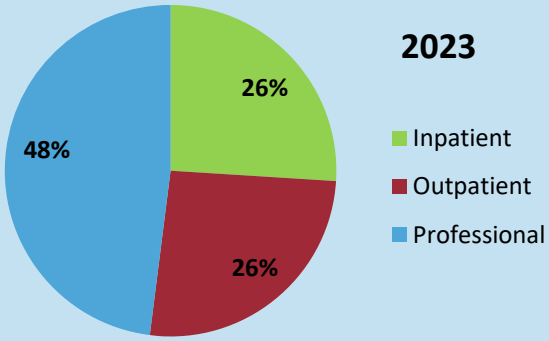


Medical costs are comprised of inpatient, outpatient, and professional services (physician and ancillary). Inpatient services represent the costs that come with a hospital/facility stay. Outpatient services are comprised of procedures that do not require a hospital stay, such as ambulatory surgery, emergency room visits, radiology, and dialysis. Professional services encompass all the services provided by physicians and other clinicians, ancillary services, and medical services/supplies.

Net payments by service type as reported by UMR were:

University of Nebraska
Net Medical Payments by Type (millions)

	2023	2022	Change Dollars	Change Percent
Inpatient	$ 39	$ 26	$ 13	50%
Outpatient	39	34	5	15
Professional	72	63	9	14
	$ 150	$ 123	$ 27	22%



Inpatient

Inpatient costs increased 50 percent, to $39 million in 2023 compared to $26 million in 2022. Costs per member per month were approximately 15 percent more than the UMR Norm for 2023 (which comprises UMR active groups consisting of approximately 4,100 groups and 5.8 million members), which was a dramatic shift from 2022 when costs per member per month were approximately 23 percent less than the UMR Norm.

Outpatient

Outpatient costs increased 15 percent, to $39 million in 2023 compared to $34 million in 2022. Costs per member per month were approximately 1 percent higher than the UMR Norm for 2023.

Professional Costs

Professional costs increased 14 percent, to $72 million in 2023 compared to $63 million in 2022. Costs per member per month were approximately 20 percent higher than the UMR Norm for 2023, which was a sizeable shift from 2022 when costs per member per month were approximately 10 percent higher than the UMR Norm.

Medical Benchmarking/Statistics

There are several medical benchmarks and statistics worth noting that allow us to compare the plan's current year results to those seen in the industry or provide trend considerations:

- The average age of covered lives under the University's plan was 34, which is slightly lower than the UMR Norm of 35.

- The average age of the University's employee participant was 46 compared to the UMR Norm of 45.

- The percentage of covered lives age 65+ under the University's plan was 6 percent compared to the UMR Norm of 4 percent.

- The top 10 major diagnostic categories included musculoskeletal, wellness/preventative, circulatory, digestive, nervous system, mental, neoplasms, pregnancy/childbirth, ear/nose/mouth/throat, and skin/breast.

- Admissions per 1,000 members increased from 42.3 in 2022 to 46.0. This rate was consistent with the UMR Norm. Additionally, the average length of stay in 2023 was 5.5 days, up from 5.0 days in 2022 and higher than the UMR Norm of 5.1 days; and the readmission rate in 2023 of 9 percent was up from 6 percent in 2022 and comparable to the UMR Norm.

- Office visits per 1,000 members rose from 3,628 in 2022 to 3,757 in 2023, which was also above the UMR Norm of 3,693.

- Outpatient surgery visits per 1,000 members rose from 173 in 2022 to 184 in 2023, which was also higher than the UMR Norm of 172.

- Telehealth visits per 1,000 members decreased again this year, from 804 in 2022 to 667 in 2023, but was still above the UMR Norm of 604.

- Emergency room visits per 1,000 members increased from 136 in 2022 to 148 in 2023, though was well below the UMR Norm of 210. The percentage of emergency room visits that were potentially avoidable increased from 12 percent in 2022 to 13 percent in 2023, but was below the UMR Norm of 15 percent.

- Preventative screening rates were relatively unchanged in 2023, including mammograms (58 percent for 2023 compared to 58 percent for 2022 and 50 percent for UMR Norm), cervical cancer (25 percent for 2023 compared to 25 percent for 2022 and 26 percent for UMR Norm), colorectal cancer (20 percent for 2023 compared to 17 percent for 2022 and 19 percent for UMR Norm), and cholesterol (56 percent for 2023 compared to 52 percent for 2022 and 51 percent for UMR Norm).

Pharmacy Expenses

Pharmacy claims are handled through a third-party administrator, CVS Caremark. The University also belongs to the Employers Health consortium, a buying coalition that offers additional rebates and discounts to the plan based on combined purchasing power. Rebates and discounts deposited in the health trust in 2023 totaled approximately $20.0 million.

In 2023, pharmacy costs were up about 19 percent to around $66 million. Approximately 10,000 members utilized the plan's pharmacy program each month. The average annual net pharmacy cost per utilizing member totaled about $6,600.

The increase in pharmacy costs is primarily attributable to specialty prescription costs, which were 56 percent of total pharmacy costs in 2023 compared to 52 percent in 2022. Specialty prescription costs increased about 25 percent, driven by a 9 percent increase in the number of utilizers, as well as increases attributable to drug mix and price inflation. The increase in specialty prescription costs was up from 2022, which saw these costs increase about 17 percent.

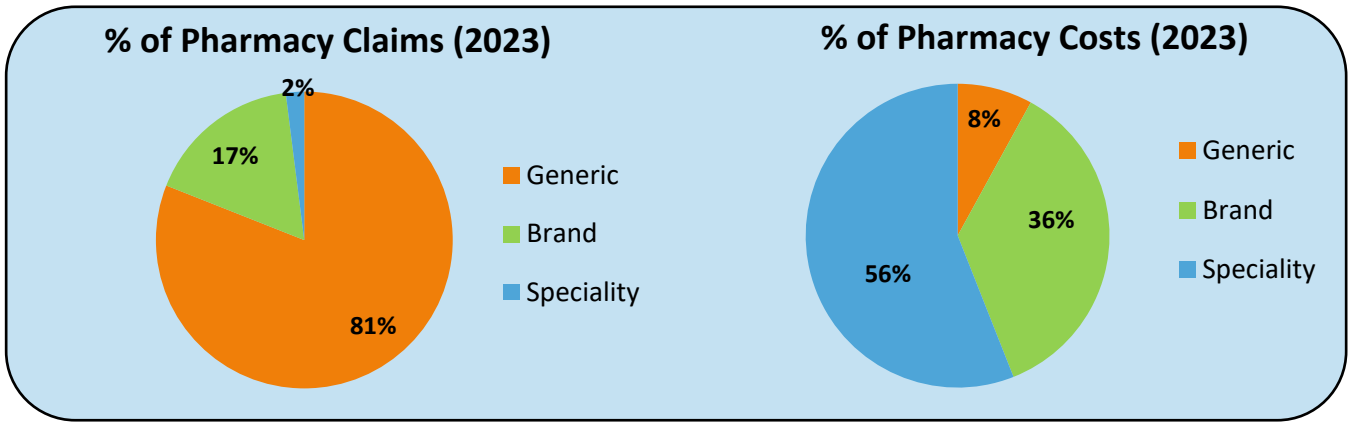
Pharmacy expenditures by category of drugs were as follows for the past two years:

University of Nebraska
Pharmacy Spend/Number of Claims
(Claims Net Cost in thousands)

	Claims Net Cost		Claims Cost as Percent of Total		Total Claims		Percent of Total Claims		Cost Per Claim	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Generic	$ 5,175	$ 5,010	8%	9%	220,984	216,528	81%	79%	$ 23	$ 23
Brand	24,102	21,557	36	39	47,940	53,656	17	19	503	402
Specialty	36,807	29,330	56	52	5,473	4,903	2	2	6,725	5,982
	$ 66,084	$ 55,897			274,397	275,087				

Note that the table above shows pharmacy claims paid by CVS Caremark during the reporting period and therefore may not be consistent with amounts paid by the trustee.

The importance of generic drugs in controlling costs can be gleaned from the foregoing table and the charts below. While generics represented 81 percent of total prescriptions, they only accounted for 8 percent of pharmacy costs in 2023.



The generic dispensing rate remained strong in 2023 at 81 percent, up from 79 percent in 2022. The University of Nebraska's success in adoption of generics is underscored by the fact that its generic use of therapeutic drugs for dermatologicals, antineoplastics, and analgesics – anti-inflammatory exceeded 80 percent in 2023, as did its overall generic use of therapeutic drugs. 2 percent of the brand-name drug claims for 2023 are scheduled for generic launches in 2024, down from 8 percent in the prior year.

Conversely, specialty drugs are 2 percent of the plan's prescriptions, but account for 56 percent of the costs in 2023. 8 out of the top 10 prescription drugs used in 2023 were specialty drugs. Primary among the specialty classes are oncology, psoriasis, crohns disease, rheumatoid arthritis, cystic fibrosis, hereditary angioedema, hemophilia, psoriatic arthritis, multiple sclerosis, and atopic dermatitis. There were 628 users of specialty drugs in 2023, accounting for approximately $59,000 of net cost per user per year.

Pricing drove the increase in pharmacy costs associated with brand-name drugs. While the net cost of brand-name drug claims increased 12 percent, the total number of brand-name drug claims actually decreased 11 percent.

Reserves and Fund Balances

Reserves are amounts needed to be held in the health trust at Principal Financial Group to pay health benefit claims. An incurred but not reported ("IBNR") reserve represents claims that have been incurred but have not yet been presented to the health trust and its trustee for payment. A claims fluctuation reserve ("CFR") represents the financial impact if the University were to encounter an unusually high volume of claims or unexpected number of claims that exceeded the claims estimate utilized to establish premium rates for the plan. Each of these reserves is based upon the results of actuarial studies performed by Milliman.

Net fund balances are the cumulative amounts of cash left over after expenses are paid and sufficient reserves have been set aside.

Reserves and fund balances are the cornerstone of financial flexibility. Much like a savings account, they are one-time resources that provide the health plan with options for responding to unexpected issues and a buffer against shock losses and other forms of risk.

Through a combination of proper pricing, aggressive management of deductibles and co-pays, prudent planning regarding potential cost increases, and favorable claims experience resulting from staying on the forefront of healthcare trends, the University has accumulated (over several years) fund balances that could be utilized for one-time health related purposes. As of December 31, 2023, the University's health plan had a trust fund balance of $41.1 million, with a net balance of about $10 million after subtracting estimated reserves. This represents a fund balance equal to about 0.5 months of plan expenses.

In December of 2018 and in conjunction with the transition from BlueCross BlueShield of Nebraska to UMR, the plan's trustee transferred $4 million to a separate UMR account to be utilized by UMR to pay medical claims beginning in 2019. UMR bills the plan weekly for medical claims paid to replenish this separate account back to $4 million. The $41.1 million trust fund balance on December 31, 2023 includes the $4 million held in the separate UMR account.

Conclusions and Looking Ahead

The University's trust fund balance decreased in 2023 from $60.3 million to $41.1 million. As noted earlier in this report, we believe that claims payment timing differences are a primary contributing factor for the difference between the $19.2 million decrease in the trust fund balance and the $17.5 million net activity negative balance reflected in the Financial Performance section of this report for 2023.

Going forward, University management must continue to focus on chronic disease management, including case management and lifestyle behaviors. We also must continue to promote preventive services to our members, given the aging of our workforce, as well as promote the use of urgent care facilities or telehealth.

In terms of pharmacy, the biggest challenge going forward is to control the use of specialty and brand-name drugs. Potential future pharmacy opportunities include:

- Getting a handle on specialty drugs to assure the drugs match the diagnosis.
- Movement of pharmacy costs out of medical and into the pharmacy pipeline to assure consistent treatment for members.
- Continued focus on step therapies. Under this concept, high-priced drugs are not available without having tried generics first.

Presently, the plan continues to be "grandfathered" in regard to the Affordable Care Act.

As discussed at the beginning of this report, we hope that the 2023 losses were in large part a unique occurrence resulting from changes in third-party administrators for medical, pharmacy, and dental claims that were announced well in advance of the transition on January 1, 2024. We believe that this decision drove substantial increases in utilization as plan participants and providers decided to schedule visits and procedures prior to the change in third-party administrators. The plan experienced similar results in 2018, which was the last time there was a change in third-party administrators for claims. It is our hope that future years are more reflective of typical plan activity and financial stability. However, trends in the national health insurance market, such as inflation, rising pharmacy costs, and higher reimbursement rates for providers will continue to impact the plan. Management will continue to be proactive in managing the plan and addressing such trends.

The University of Nebraska is proud of its prudent management of its health plan, which has positioned us to provide competitive, affordable benefits to our employees – our greatest asset – and their families. These are challenging times for healthcare, but we are committed to offering quality health benefits that meet the needs of our employees and help us attract and retain additional talent for Nebraska.

Endnotes and References

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[i] Duchon L, Schoen C, Simantov E, Davis K, An C. Listening to Workers: Findings from the Commonwealth Fund 1999 National Survey of Workers' Health Insurance. New York. The Commonwealth Fund; 2000.

[ii] The Kaiser Family Foundation Employer Health Benefits 2023 Annual Survey, https://www.kff.org/health-costs/report/2023-employer-health-benefits-survey