

REVISED
September 2, 2020

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS

Meeting of the
Finance Committee

September 11, 2020

FINANCE COMMITTEE

Friday, September 11, 2020

9:45 – 11:15 a.m.

Pavilion Ballroom, Boar's Head Resort

Committee Members:

Robert M. Blue, Chair	Robert D. Hardie
C. Evans Poston Jr., Vice Chair	Maurice A. Jones
Frank M. Conner III	James V. Reyes
Thomas A. DePasquale	James B. Murray Jr., Ex-officio
John A. Griffin	Ellen M. Bassett, Faculty Member
Louis S. Haddad	

AGENDA

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**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 11, 2020

COMMITTEE: Finance Committee

AGENDA ITEM: Revised 2020-2021 Operating Budget

BACKGROUND: On June 4, 2020, the Board of Visitors approved 2020-2021 baseline operating budgets for the Academic Division, The University of Virginia's College at Wise (Wise), and the Medical Center. As communicated at that time, this preliminary approved budget did not incorporate known and unknown impacts related to the COVID-19 pandemic. Since that time, the University has conducted a thorough operating budget revision with revised planning assumptions in light of COVID-19 based on operating status as of mid-August. The revised 2020-2021 operating budget will be presented to the Board of Visitors for consideration on September 11, 2020.

DISCUSSION: The University of Virginia proposes a revised \$3.76B operating budget for all three divisions. The original 2020-2021 operating budget, approved in June, totaled \$3.85B. The revised operating budget is reduced by \$89.8M, or 2.3%.

Academic Division

Available sources for the revised 2020-2021 budget reflect adjustments due to the pandemic and the Academic Division's operating status as of mid-August (two-week delay of in-person instruction and undergraduate on-Grounds housing occupancy). The modifications are reflected in net tuition and fees, sponsored research activity, state appropriations, and auxiliary operations. Anticipated spending also incorporates the March 2020 actions to freeze compensation and hiring, as well as to reduce non-personal operating expenditures due to curtailed travel and spending related to telework. Overall, the revised 2020-2021 Academic Division revised operating expenditure budget is proposed at \$1.88B, a 3.3% reduction from the original 2020-2021 approved operating budget.

<i>Sources/Uses</i>	2019-20 Approved	2020-21 Pre-COVID	2020-21 Revised	FY21 Original vs Revised	
				\$	%
<u>Sources</u>					
Net Tuition and Fees	\$ 672.2	\$ 694.0	\$ 673.6	\$ (20.4)	-2.9%
State Appropriations	167.0	165.7	142.2	(23.5)	-14.2%
Externally Sponsored Research	425.0	431.0	425.1	(5.9)	-1.4%
Endowment Distribution/Admin Fee	226.2	244.5	238.2	(6.3)	-2.6%
Expendable Gifts	155.1	168.0	165.4	(2.6)	-1.5%
Sales, Services, Interest, Other	267.4	253.4	278.1	24.7	9.7%
Total Operating Sources	1,912.9	1,956.6	1,922.6	(34.0)	-1.7%
<u>Uses</u>					
Faculty and Staff Salaries	1,186.0	1,277.4	1,231.6	(45.8)	-3.6%
Internal Recoveries	(808.0)	(825.3)	(798.0)	27.3	-3.3%
Non-personal Services Expenses	1,271.8	1,299.4	1,236.4	(63.0)	-4.8%
Financial Aid	192.0	205.5	208.5	3.0	1.4%
Internal Debt Service, Transfers, and Other	67.4	(13.2)	1.0	14.2	-107.6%
Total Uses	1,909.2	1,943.8	1,879.5	(64.3)	-3.3%
Total Sources and Uses	\$ 3.7	\$ 12.8	\$ 43.1	\$ 30.3	

The University of Virginia's College at Wise

The revised 2020-2021 operating expenditure budget for Wise is \$48.9M, a 2.8% decrease, and reflects adjustments due to the pandemic and Wise's operating status as of mid-August (two-week delay in the start of the fall semester).

<i>Sources/Uses</i>	2019-20	2020-21	2020-21	FY21 Original vs Revised	
	Approved	Pre-COVID	Revised	\$	%
Sources					
Net Tuition and Fees	\$ 9.6	\$ 9.6	\$ 9.5	\$ (0.1)	-1.0%
State Appropriations	22.3	22.3	21.3	(1.0)	-4.5%
Externally Sponsored Research	4.8	5.6	5.6	-	0.0%
Endowment Distribution/Admin Fee	3.8	4.4	4.4	-	0.0%
Expendable Gifts	0.7	0.5	0.5	-	0.0%
Sales, Services, Interest, Other	9.3	7.9	7.6	(0.3)	-3.8%
Total Operating Sources	50.5	50.3	48.9	(1.4)	-2.8%
Uses					
Faculty and Staff Salaries	27.3	26.6	26.5	(0.1)	-0.4%
Internal Recoveries	(1.4)	(0.4)	(0.4)	-	0.0%
Non-personal Services Expenses	17.8	17.7	16.4	(1.3)	-7.3%
Financial Aid	5.9	6.4	6.4	-	0.0%
Other	0.9	-	-	-	-
Total Uses	50.5	50.3	48.9	(1.4)	-2.8%
Total Sources and Uses	\$ -	\$ -	\$ -	\$ -	

Medical Center

The Health System Board will consider the revised Medical Center 2020-2021 operating budget, which includes the Transitional Care Hospital, at its September 10, 2020 meeting and will recommend approval of the revised \$1.83B operating budget, a 1.3% decrease, reflecting financial mitigation efforts from summer 2020 and current operating status as of mid-August.

	2019-20	2020-21	2020-21	Variance	
	Actuals*	Pre-COVID Annual Budget	Revised Annual Budget	(FY21 Original v Revised) \$	%
Revenue					
Net Patient Service Revenue	\$ 1,687.5	\$ 1,883.2	\$ 1,839.6	\$ (43.65)	-2.3%
Other Revenue	58.4	53.1	52.7	(0.5)	-0.9%
Total Operating Revenue	1,745.9	1,936.3	1,892.2	(44.1)	-2.3%
Expense					
Labor	785.8	843.4	823.1	(20.3)	-2.4%
Supplies, Utilities, and Other	815.2	878.1	855.7	(22.4)	-2.5%
Interest	18.3	18.7	18.6	(0.1)	-0.4%
Depreciation	115.9	110.8	129.8	18.9	17.1%
Total Operating Expense	1,735.1	1,851.0	1,827.2	(23.8)	-1.3%
Operating Income/(Loss) before Transfers	10.8	85.3	65.0	(20.3)	-23.8%
Health System Transfers	(58.7)	(44.7)	(43.9)	0.8	-1.8%
Operating Income/(Loss) after Transfers	(48.0)	40.6	21.1	(19.5)	-48.1%
Operating Cash flow after Transfers	\$ 67.9	\$ 151.5	\$ 150.9	\$ (0.6)	-0.4%

* Unaudited, as of August 10, 2020

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

2020-2021 REVISED OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED, the 2020-2021 \$1.9 billion revised operating budget, for the Academic Division is approved as recommended by the President and the Chief Operating Officer.

2020-2021 REVISED OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED, the 2020-2021 \$48.9 million revised operating budget for The University of Virginia's College at Wise is approved as recommended by the President and the Chief Operating Officer.

2020-2021 REVISED OPERATING AND CAPITAL BUDGETS FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER AND THE UNIVERSITY OF VIRGINIA TRANSITIONAL CARE HOSPITAL

RESOLVED, the 2020-2021 \$1.8 billion revised operating and the \$126 million capital budgets for the University of Virginia Medical Center, inclusive of the University of Virginia Transitional Care Hospital, are approved as recommended by the President, the Executive Vice President for Health Affairs, the Chief Operating Officer, and the Health System Board.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 11, 2020

COMMITTEE: Finance

AGENDA ITEM: II.A. University of Virginia Investment Management Company
2019-2020 Annual Report

ACTION REQUIRED: None

BACKGROUND: The University of Virginia Investment Management Company (UVIMCO) provides investment management services to the Rector and Visitors of the University of Virginia and its related foundations. Assets deposited in UVIMCO are held in the custody and control of UVIMCO on behalf of the University and Foundations within a long-term, co-mingled investment pool.

UVIMCO's primary objective in managing the investment pool is to maximize long-term real return commensurate with the risk tolerance of the University. To achieve this objective, UVIMCO actively manages the investment pool in an attempt to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk. Recognizing that the University must attract outstanding students, faculty, and staff and provide them appropriate resources, UVIMCO attempts to manage pool assets to provide long-term real returns that compare favorably with the returns of endowments of other outstanding schools. UVIMCO does not set spending rates; UVIMCO communicates the investment pool's risk and return estimates to the University and foundations for their consideration in setting spending rates.

DISCUSSION: UVIMCO'S Chief Executive Officer, Mr. Robert Durden, will provide an overview of the current market environment and the asset allocation, performance, and liquidity position of the Long-Term Pool as of the year ending June 30, 2020, and address any questions from the committee.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 11, 2020

COMMITTEE: Finance

AGENDA ITEM: II.B. Long-Term Debt Issuance: Series 2020

ACTION REQUIRED: None

BACKGROUND: At its April 27, 2020 meeting, the Board of Visitors approved a \$600M debt shelf registration, granting the University the ability to streamline future bond issuances and act quickly and capitalize on favorable market conditions. On June 21, 2020, the University issued \$600M of 30-year taxable debt under the debt shelf registration.

DISCUSSION: At its September meeting, the Board will hear a report from the Executive Vice President and Chief Operating Officer Jennifer Davis and Vice President for Finance Melody Bianchetto on the details of the debt issuance transaction.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 11, 2020

COMMITTEE: Finance

AGENDA ITEM: II.C. Strategic Investment Fund Report

ACTION REQUIRED: None

BACKGROUND: In 2016, the Board of Visitors created the Strategic Investment Fund, which is invested with the University of Virginia Investment Management Company. The investment income from the Strategic Investment Fund is used as a source of funding for major strategic initiatives. The primary purpose of the Strategic Investment Fund is to serve as one of the sources of funding for the key initiatives outlined in the 2030 Plan and the Strategic Plans of the Health System and The University of Virginia’s College at Wise.

DISCUSSION: At the Finance Committee’s September meeting, the Executive Vice President and Chief Operating Officer will provide a current status report and financial update on the Strategic Investment Fund.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 11, 2020

COMMITTEE: Finance

AGENDA ITEM: II.D. Executive Vice President's Remarks

ACTION REQUIRED: None

BACKGROUND: The Executive Vice President and Chief Operating Officer will inform the Board of Visitors of other recent events that do not require formal action, but of which it should be made aware.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 11, 2020

COMMITTEE: Finance

AGENDA ITEM: II.E. Written Report on UVA Health Plan

ACTION REQUIRED: None

BACKGROUND: The University of Virginia, as the administrator for the UVA employee health plans, has three main objectives: (1) provide a health benefit that is attractive to current and prospective faculty, staff, and health system team members; (2) support the wellbeing of participants; and (3) provide appropriate fiscal management and ensure lower administrative costs.

DISCUSSION: Total Rewards goals are part of UVA’s efforts to recruit and retain a diverse workforce and to create an inclusive and supportive environment, in alignment with the UVA Strategic Plan. Benefits choices seek to align with employee/family needs as shared by employees in the benefits preferences survey, which reflects a changing employee demographic. The benefits most important to employees are retirement, paid time off, and health and wellness. A culture of wellness and focusing on the whole person (physical, emotional, and financial), in collaboration with UVA Health, continues to be the focus of UVA Total Rewards.

For the plan year beginning January 1, 2019, 91.2% of eligible employees enrolled in UVA’s health plan, slightly lower than the prior year at 93.4%.

- **Enrollment.** 40% of eligible employees are enrolled in the Value Health PPO option, 35% are enrolled in the Choice Health PPO option, and 25% are enrolled in the Basic Health High Deductible option. 91.2% of eligible employees are enrolled in the UVA Health Plan across UVA Health and the Academic Division, down 2.2% from the prior year:

Plan Option Name	Basic	Value	Choice
Plan Type	High Deductible: \$2,000	PPO: \$800 deductible	PPO: \$500 deductible
Employed Participants	4,332	6,988	6,318
Dependent Participants	3,669	7,829	5,603
Pre-65 Retirees	95	40	122
Retiree Dependents	30	10	14
Total Participants	8,126	14,867	12,057



Employees interacted with the inaugural Workday Open Enrollment

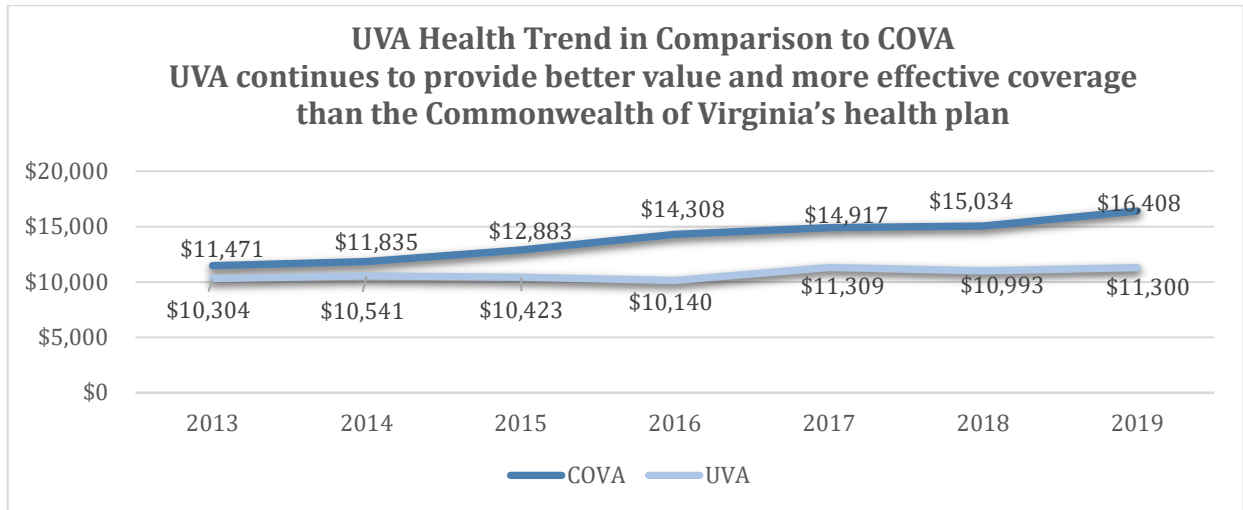


Through May 2019 trend is -0.5% and not showing much deviation from claims experience through May 2018



48% increase in participants in the Basic High Deductible option

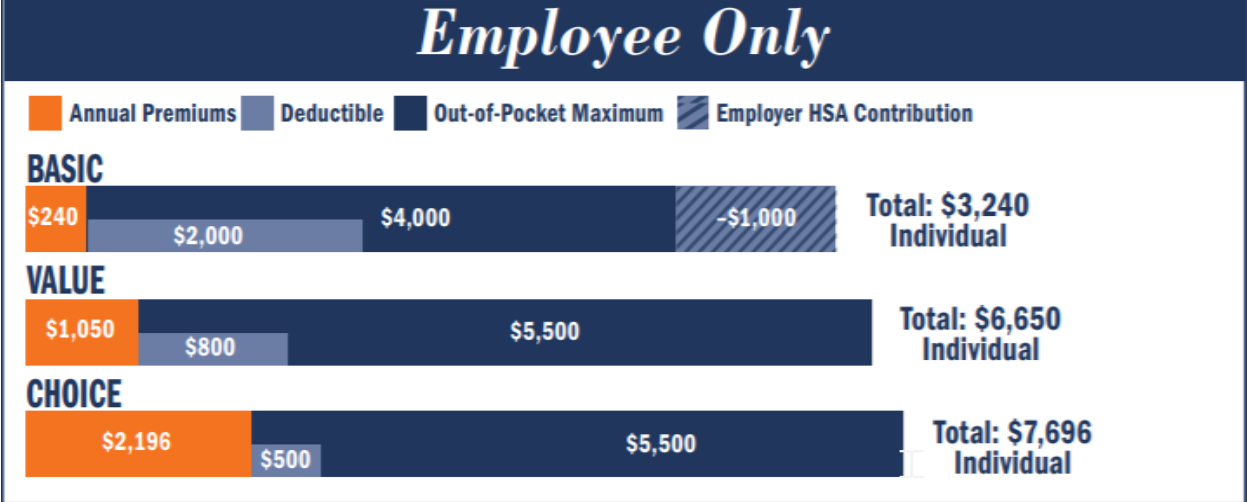
- **Value.** UVA leads in various aspects of health benefits, including lower annual costs per employee when compared to the Commonwealth of Virginia Health Plan.



- **Competitive.** UVA leads the market in the amount of employer contribution towards the cost of insurance. The UVA contribution for employee plus spouse/children averages 80% across all plans, compared with a 77% contribution for other large employers. The 2020 premiums for each UVA plan are as follows (no change in premiums for 2021):

	Active Employee Contribution			UVA Contribution			Total		
	Basic	Value	Choice	Basic	Value	Choice	Basic	Value	Choice
Single	\$20.00	\$87.50	\$183.00	\$464.25	\$470.00	\$493.25	\$484.25	\$557.50	\$676.25
Employee + Child(ren)	\$25.25	\$140.25	\$370.25	\$821.75	\$833.25	\$821.75	\$847.00	\$973.50	\$1,192.00
Employee + Spouse	\$33.25	\$176.25	\$477.00	\$1,055.50	\$1,075.00	\$1,055.50	\$1,088.75	\$1,251.25	\$1,532.50
Family	\$63.00	\$282.25	\$706.00	\$1,510.50	\$1,528.75	\$1,510.50	\$1,573.50	\$1,811.00	\$2,216.50

Education and Awareness: Each year UVA invests significant resources to educate participants about their benefit options prior to Open Enrollment and potential annual costs for each of the following UVA Health Plan options.



During Open Enrollment in 2019, the education and awareness campaign contained these elements:

- Three across-Grounds Benefits & Wellness Expos, with 2,391 attendees and 847 Flu shots
- 5,306 visits to PicWell, a new interactive tool released for Open Enrollment
- Open Enrollment presentations (designed to provide education to eligible employees) across 30 locations, with 919 participants
- 69,437 Open Enrollment website page views. A 46% increase from 2018

The results of these efforts were as follows:

- 4.63 out of 5 average customer satisfaction score for HR Solution Center survey results during Open Enrollment
- 17,309 engagements through email, live chat, one-on-one meetings, and phone calls

Health Plan Management and Administration: UVA administers the UVA Health Plan according to its plan documents and compliance with applicable regulations. The UVA Health Plan is audited on an annual basis by the Virginia Auditor of Public Accounts.

The overall cost of the UVA Health Plan increased slightly from the year before due to migration to leaner plans creating lower claims expectations, but with more employees paying lower employee premiums the UVA net cost increased and the HSA funding increased as more employees elected the Basic Health option.

We also partner with Mercer to ensure our health plan design is benchmarked against academic medical centers, and actuarial analysis is completed on a regular basis.

Opportunities: While we have much to be proud of, as we look toward the future, we will continue to focus on the following opportunities within the UVA Health Plan and well-being programs. A three-year roadmap is included below:

- Provide meaningful educational opportunities for eligible employees to make educated decisions regarding their health plan and well-being choices

- Provide health plan design alternatives for eligible employees
- Research and provide ways to help eligible employees and their families with behavioral health issues
- Continue to see ways to mitigate increasing costs, implementing the new pharmacy vendor in 2020 with the goal of a more coordinated member experience and cost reduction
- Continue to monitor plan expenses which were 10% of total costs

	2021	2022	2023
Health Plan Design & Network	<p>Continue to provide Health Plans with choice and value options, with limited disruption to members.</p> <p>Continue to evaluate network opportunities</p>	<p>Consolidate PPO Health Plans, to provide a Health Plan option for members. As a result of consolidation, rename and rebrand Health Plans.</p> <p>Consider options to offer a narrow network option leveraging UVA Health System</p>	<p>Stabilize Health Plan design for Members</p> <p>Introduce enhanced network solutions to improve participant health and manage costs</p>
Health Plan Member Engagement	<p>As a result of the RFP, Implement carrier harmonization opportunities under a single Medical, Pharmacy, and Wellbeing platform.</p>	<p>Conduct a second employee benefit preferences survey with a goal of exceeding past EE satisfaction and participation rates.</p>	<p>Adoption of digital dashboards for financials and participant engagement. This would include tools for Health Plan Members to have more transparency with Provider cost and quality.</p>
Other Enhancements	<p>Review opportunities in the Savings Account Administration landscape.*</p> <p>Socialize pre-65 retiree medical coverage to be effective in 2022.</p>	<p>Implement new Savings Account Administrator</p> <p>Implement pre-65 medical coverage program.</p>	<p>Using results of employee benefit preferences survey, evaluate overall effectiveness and Member experience of the Health Plan</p>