



THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA

September 16, 2022

MEMORANDUM

TO: The Finance Committee:

Robert M. Blue, Chair
James B. Murray Jr., Vice Chair
Carlos M. Brown
Thomas A. DePasquale
Louis S. Haddad

Robert D. Hardie
Babur B. Lateef, M.D.
James V. Reyes
Douglas D. Wetmore
Whittington W. Clement, Ex Officio

and

The Remaining Members of the Board:

Mark T. Bowles
Elizabeth M. Cranwell
U. Bertram Ellis Jr.
Stephen P. Long, M.D.
Angela Hucles Mangano

L.F. Payne
Manda L. Pillion
Susan E. Kirk, Faculty Member
Lily A. Roberts, Student Member

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Finance Committee on September 16, 2022

The Finance Committee of the Board of Visitors of the University of Virginia met, in open session, at 8:30 a.m. on Friday, September 16, 2022. Robert M. Blue, Chair, presided.

Committee Members present: Whittington W. Clement, Carlos M. Brown, Thomas A. DePasquale, Louis S. Haddad, Robert D. Hardie, James B. Murray Jr., Babur B. Lateef, M.D., James V. Reyes, and Douglas D. Wetmore

Mark T. Bowles, Elizabeth M. Cranwell, U. Bertram Ellis Jr., Stephen P. Long, M.D., Angela H. Mangano, L.F. Payne, Amanda L. Pillion, Susan E. Kirk, M.D., and Lily A. Roberts also attended.

Present as well were James E. Ryan, Ian B. Baucom, Jennifer Wagner Davis, K. Craig Kent, M.D., Susan G. Harris, Donna P. Henry, Clifton Iler, John C. Jeffries Jr., Kennedy Kipps, Megan K. Lowe, Mark Luellen, David W. Martel, Clark L. Murray, Margaret Grundy Noland, Debra D. Rinker, Margot M. Rogers, and Colette Sheehy.

Presenters: Melody S. Bianchetto, Adam R. Daniel, and Robert Durden

Chairman Blue began the meeting by reviewing the agenda. He then turned to Ms. Davis to present the action items.

Action Item: Amended 2022-2028 Six-Year Institutional Plan

Ms. Davis said the six-year plan directly aligns with the 2030 Plan and includes seven of the key initiatives of the 2030 Plan. There were no changes to the University's strategies in the amended plan. The key changes are in the financial plan where the numbers were trued up to reflect additional General Fund appropriations. The tuition and financial aid numbers were updated to reflect the current Board-approved tuition rates for 2022-23 and 2023-24. The University of Virginia's College at Wise plan was also updated to reflect additional state support.

On motion, the committee approved the following resolution and recommended it for full Board approval:

AMENDED 2022-2028 SIX-YEAR INSTITUTIONAL PLANS FOR THE ACADEMIC DIVISION AND THE COLLEGE AT WISE

WHEREAS, §§ 23.1-306 and 23.1-1002 of the Code of Virginia requires each public institution of higher education to develop and adopt biennially (each odd-numbered year) and amend or affirm biennially (each even-numbered year) an institutional six-year plan and submit that plan to the State Council of Higher Education for Virginia (SCHEV); the General Assembly; the Governor; and the Chairs of the House Committee on Appropriations, House Committee on Education, Senate Committee on Education and Health, and Senate Committee on Finance and Appropriations; and

WHEREAS, the University and the College at Wise submitted their respective preliminary amended six-year plans as required in July, outlining general strategies to advance the priorities of the Commonwealth in alignment with the respective strategic educational, research, and service goals of the University of Virginia and the College at Wise; and

WHEREAS, final institutional plans must be approved by the Board of Visitors and submitted to SCHEV, the General Assembly; the Governor; and the Chairs of the House Committee on Appropriations, House Committee on Education, Senate Committee on Education and Health, and Senate Committee on Finance and Appropriations no later than October 1, 2022;

RESOLVED, the Board of Visitors approves the amended six-year institutional plans for the Academic Division and the College at Wise; and

RESOLVED FURTHER, the President is authorized to transmit the six-year plans as required by §§ 23.1-306 and 23.1-1002 of the Code of Virginia.

Action Item: Operating Amendments to the 2022-2024 State Biennial Budget

Ms. Davis reviewed each of the amendments: Operations & Maintenance (O&M) for New Facilities; UVA Health Plan—state's share; FY21 COVID Direct Expense Recovery; UVA Workforce Development Initiative; Utilities—state's share; Escrowed Interest Earnings; and a language amendment: UVA / NOVA Fairfax. Ms. Davis said there may be additional requests that they would bring before the Board, pending the outcome of the Governor's budget. For Wise, there were just

two amendments: Center for Teaching Excellence and Equipment Support the Department of Natural Sciences.

On motion, duly seconded, the committee approved the following resolution and recommended it for full Board approval:

OPERATING AMENDMENTS TO THE 2022-2024 BIENNIAL BUDGET

WHEREAS, the Academic Division, the University of Virginia's College at Wise, and the University of Virginia Medical Center have the opportunity to propose budget amendments to the 2022-2024 Biennial Budget for consideration by the Governor;

RESOLVED, the Board of Visitors of the University of Virginia approves the 2022-2024 general fund operating amendments; and

RESOLVED FURTHER, the Board of Visitors approves the language amendment request for UVA|NOVA Fairfax; and

RESOLVED FURTHER, the Board of Visitors understands that to the extent these requests are not included in the Governor's 2022-2024 amended budget, the University may want to pursue a similar request to the General Assembly.

UVA/NOVA Fairfax Overview

At the request of members of the Board, Ms. Davis gave a brief overview of the plans for the University's lease of space at the Inova Center for Personalized Health campus in Fairfax. The University pivoted from fitting out wet labs for genomics research to using the space for educational programming including classrooms, offices, conference rooms, etc. The project budget is \$20.6M funded through the Strategic Investment Fund (SIF). This is less costly than fitting out for wet labs.

Action Item: Major Capital Projects Financial Plan

Ms. Davis said the Buildings and Grounds Committee approved on the previous day adding the UVA | NOVA Fairfax tenant fit out project to the major capital plan. The University has been working with Inova to lease space in its Fairfax campus to expand UVA's presence in Northern Virginia and will be leasing two floors in one building, which is just over 50,000 SF. The project scope includes build out of classrooms, offices, huddle rooms, conference rooms, pre-function and reception areas, and open work areas; structural and HVAC upgrades; additional stairs/egress to accommodate increased occupancy of building; and all furniture, fixtures, and equipment. The project budget is \$20.6M and will be funded by the Strategic Investment Fund.

The second project was approved in June 2017 and the design was approved by the Buildings and Grounds Committee in June 2020. The project includes renovating and constructing a new addition to Cobb Hall – approximately 100,000 GSF space to advance McIntire's long-term growth plan. There will be a mix of student, faculty, and staff spaces to support innovation, emerging technology, media production, data analytics, and visualization. Based on final pricing, the current project budget is \$139.7M funded by: \$25M in gifts; \$25M in University funds (matching funds); and up to \$89.7M in debt (debt service, as well as incremental operating costs, will be the responsibility of the McIntire School of Commerce)

On motion, the committee approved the following resolution and recommended it for full Board approval:

FINANCING PLANS FOR UVA | NOVA FAIRFAX (TENANT FIT OUT) AND SHUMWAY HALL (MCINTIRE ACADEMIC FACILITY)

WHEREAS, the financing plan for the UVA | NOVA Fairfax (tenant fit out) project calls for a Strategic Investment Fund allocation of \$20.6M; and

WHEREAS, the financing plan for Shumway Hall (McIntire Academic Facility) calls for the use of gifts in the amount of \$25.0M, University funds of \$25.0M, and debt in the amount of \$89.7M;

RESOLVED, the Board of Visitors approves the financing plans for UVA | NOVA Fairfax (tenant fit out) and Shumway Hall.

Action Item: Quasi-Endowment for School of Medicine Stacy E. Mills M.D. Professorship in Pathology

The School of Medicine would like to establish a new quasi-endowment. The initial \$3.0M investment of principal to establish this new quasi-endowment will be composed of accumulated clinical reserve funds to be transferred from the UVA Physicians Group. The intent is to leave the funds invested in perpetuity and to apply toward requirements for the establishment of the Stacy E. Mills, M.D. Professorship of Pathology, in the Department of Pathology. The creation of this new quasi-endowment and endowed professorship is in accordance with the long-term financial plans for the Department of Pathology.

On motion, the committee approved the following resolution and recommended it for full Board approval:

ESTABLISHMENT OF STACY E. MILLS, M.D. PROFESSORSHIP IN PATHOLOGY QUASI-ENDOWMENT

WHEREAS, The School of Medicine wishes to establish the Stacy E. Mills, M.D. Professorship in Pathology quasi-endowment;

RESOLVED, the Board of Visitors authorizes the establishment of the Stacy E. Mills, M.D. Professorship in Pathology Quasi-Endowment.

Action Item: School of Medicine Quasi-Endowment for the Department of Obstetrics and Gynecology

The Department of Obstetrics and Gynecology in the School of Medicine would like to establish a new restricted fund quasi-endowment. The initial \$3.0M investment of principal to establish this new quasi-endowment will be composed of accumulated clinical reserve funds transferred from the UVA Physicians Group. The intent is for the corpus to remain in perpetuity with the distribution from this fund to be used in accordance with the long-term plans of the Department of Obstetrics and Gynecology (OBGYN), primarily around support for research in this field. The new quasi-endowment is to honor the career of Dr. James E. Ferguson, II, who has served as the Department Chair for the past 12 years as a distinguished faculty in the field of Obstetrics and Gynecology. His contribution to the field of Obstetrics and Gynecology, the School of Medicine, the UVA Health System, and the University of Virginia will perpetuate beyond his time at the University.

On motion, the committee approved the following resolution and recommended it for full Board approval:

ESTABLISHMENT OF THE SCHOOL OF MEDICINE JAMES E. FERGUSON QUASI-ENDOWMENT FUND

WHEREAS, the School of Medicine wishes to establish a restricted, perpetual quasi-endowment for the Department of Obstetrics and Gynecology;

RESOLVED, the Board of Visitors authorizes the establishment of the School of Medicine James E. Ferguson Quasi-Endowment Fund.

Action Item: Reinvestment of Unspent Endowment Distribution for Greenslade

The College and Graduate School of Arts & Sciences asks for reinvestment of the Greenslade Fund for International Studies in Arts and Sciences. The reinvestment of approximately \$3.56M is composed of accumulated unspent distributions associated with the quasi-endowment. Future distributions that cannot be deployed due to appropriate stewardship will continue to be reinvested accordingly.

On motion, the committee approved the following resolution and recommended it for full Board approval:

REINVESTMENT OF THE COLLEGE AND GRADUATE SCHOOL OF ARTS & SCIENCES GREENSLADE FUND FOR INTERNATIONAL STUDIES IN ARTS AND SCIENCES

WHEREAS, The College and Graduate School of Arts and Sciences wishes to reinvest unspent distributions back into the quasi-endowment;

RESOLVED, the Board of Visitors authorizes the reinvestment of The College and Graduate School of Arts & Sciences Greenslade Fund for International Studies quasi-endowment.

Action Item: Quasi-Endowment for the College and Graduate School of Arts & Sciences Unrestricted Fund

The College and Graduate School of Arts & Sciences would like to establish a new unrestricted quasi-endowment fund. The initial \$20.0M investment to establish this new quasi-endowment will be composed of accumulated unrestricted funds in the annual fund and the endowment administrative fee distribution fund. The income will be used to support the current mission and any new initiatives established by the new Dean of the College and Graduate School of Arts and Sciences and intend to maintain the requested quasi-endowment in perpetuity.

On motion, the committee approved the following resolution and recommended it for full Board approval:

ESTABLISHMENT OF THE COLLEGE AND GRADUATE SCHOOL OF ARTS & SCIENCE UNRESTRICTED FUND

WHEREAS, The College and Graduate School of Arts and Sciences wishes to establish an unrestricted quasi-endowment;

RESOLVED, the Board of Visitors authorizes the establishment of The College and Graduate School of Arts & Sciences Unrestricted Fund quasi-endowment.

Action Item: Delegation of Signatory Authority for Medical Center Contract

The Board of Visitors must delegate authority to allow execution of any contract for goods and services exceeding \$5M per year. A Medical Center contract with Owens & Minor Distribution, Inc. for medical-surgical products is outside signatory authority of administrators. They are the UVA Medical Center's primary medical/surgical distributor, comprising \$62.3M in annual spend (FY22).

This contract extension is for four years and three months (10/22 through 12/26), to align with the underlying Premier group purchasing contract award. As part of this extension, the Medical Center has locally negotiated a more favorable distribution mark-up, resulting in \$509,000 further annual expense reduction.

On motion, duly seconded, the committee approved the following resolution and recommended it for full Board approval:

SIGNATORY AUTHORITY FOR CERTAIN MEDICAL CENTER CONTRACTS EXCEEDING \$5 MILLION PER YEAR

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer to execute the contract on behalf of the Medical Center with Owens & Minor Distribution, Inc. for medical-surgical products.

Report: Recommendations of the Finance Subcommittee on Tuition

Chairman Blue said the Finance Subcommittee on Tuition met twice this summer, August 9 and September 14, to develop a recommendation for in-state undergraduate tuition. The consensus recommendation of the Subcommittee is to propose a rebate of the amount of 2022-2023 tuition and fee increase for both UVA and College at Wise for in-state undergraduate students. He said they had one well-articulated dissent from Mr. DePasquale. He thanked Rector Clement for his leadership these past three months, who has worked tirelessly with University administration, the Governor's Office and other stakeholders. He then called on Rector Clement for comments.

The Rector said setting tuition is one of the most important decisions the management and Board of any university makes. Those decisions are the basis of everything else a university does, particularly when your university is a public institution during a period, certainly over the last two decades, when per-student state funding remains far lower than it was in earlier periods of history. At UVA, tuition is the main resource for many of the things that make UVA one of the best public universities in the nation. He reminded the board that just this week *US News and World Report* ranked UVA #3 best public university in America. He said that hasn't happened overnight. Tuition has helped enable UVA to hire and retain world-class faculty and staff, to build top tier research facilities, and to offer our students accommodations and experiences that enrich their education and make the time they spend here truly special. Tuition is also, obviously, a major cost for families who choose to send their students here. Accordingly, the University has a responsibility to keep tuition as low as possible and to only raise rates when it is essential to maintain the quality of the product we offer our students, and after we have exhausted all other options to reduce costs or increase revenues. This balancing act and other considerations went into the deliberations regarding tuition for this academic year. Those deliberations began almost 18 months ago when then -rector Jim Murray forming a subcommittee on tuition which resulted in its evaluation for the

better part of last year of how tuition decisions are made and what the needs of the University and our students would be for the coming year. As a result of the work of that subcommittee and the Finance Committee, the Board last December approved rates that reflect that deliberative process and the best information available at the time.

The Rector said since then, however, the world has changed – the pandemic has eased, inflation has spiked, and we have a new Governor and administration. In response to the Governor’s request that colleges and universities find a way to hold tuition flat, as well as taking into account additional funding from the Commonwealth earlier this year, the Board and UVA’s management decided to reconstitute the tuition subcommittee and to evaluate our tuition approach, which President Ryan and Mr. Clement communicated to the Governor in early July. They took this step in order to ensure that the University did not have a knee-jerk reaction to changing conditions or to political considerations. The aim has been to fulfill the responsibility to the Commonwealth and to our students and their families, and to our faculty and staff by approaching every financial decision deliberatively – so we can meet the needs of the institution while at the same time maintaining the high standards that we demand of ourselves and that our students and families – and taxpayers – expect of us.

Over the last several months, the University has been in communication directly with the Governor on multiple occasions and have collaborated with him and his advisors in order to better understand his priorities and to find a solution that works for the University, the College at Wise, and the Commonwealth as a whole. Since the subcommittee was reconvened, it considered these questions and several other key factors: the unexpected increase in state funding designated to support affordable access for in-state undergraduate students and additional opportunities to increase revenues and cut costs. As a result of those efforts, the tuition subcommittee of Finance, with the support of President Ryan and his leadership team, is recommending to the Finance Committee and the Board to hold tuition rates at the University in place and offer all in-state undergraduate students a one-time credit of \$690 for this 2022-2023 school year.

Rector Clement said this will result in a budgetary impact of approximately \$7.5M to the University’s 2022-2023 operating budget, to be funded through savings resulting from cost efficiencies, as well as additional Commonwealth funding and other unanticipated revenue. He said this was not an easy decision for the subcommittee to make nor should it have been: the University offers its in-state students phenomenal value for the money they pay in tuition, with job placement rates, expected earnings, and four-year graduation rates well ahead of in-state and national peers. UVA also offers one of the best financial aid programs in the nation and is one of only two public institutions to meet 100% of demonstrated financial need. As for the College at Wise, the subcommittee recommends holding tuition rates in place and offer all in-state undergraduate students a one-time credit of \$182 for this full academic year. This recommendation will result in a budgetary impact of about \$156,000 to the College at Wise’s 2022-23 operating budget, to be funded through savings from cost efficiencies as well as additional Commonwealth funding.

Rector Clement said the subcommittee believes it has found a resolution to this matter that works for all parties and he is sure all of us look forward to continuing the important work of serving the Commonwealth together. He thanked Mr. Blue for chairing the subcommittee and the participation and good thinking of Mr. Hardie, Mr. DePasquale, Ms. Davis and her finance team, Ms. Roberts, and the input and support of President Ryan.

Mr. DePasquale objected to the resolution and said the decision devalues the work of the Board of Visitors. He pointed out that the University has kept tuition flat in two of the last five years. He said there is a better way of doing this, that is, through the legally mandated process

whereby the Board makes tuition decisions and not outside parties. He read a letter that is attached to these minutes.

Following extensive discussion, on motion, duly seconded, the following two resolutions were approved and recommended for approval by the Full Board in the final session. Mr. Depasquale voted in the negative on both resolutions.

ONE-TIME CREDIT FOR UNIVERSITY OF VIRGINIA IN-STATE UNDERGRADUATE STUDENTS

WHEREAS, in the Summer of 2021, the Board of Visitors Finance Subcommittee on Tuition studied undergraduate tuition policy and related policy considerations, including the tuition-setting process, the timing of when to set tuition and for how long, and the related information the Board of Visitors should have when considering the undergraduate tuition proposal. The Subcommittee then made recommendations to the Board of Visitors, which it approved at the September 2021 meeting, on actions to take to improve the transparency and predictability of tuition setting; and

WHEREAS, in December 2021, the Board of Visitors approved an increase in undergraduate tuition and mandatory fees of 4.7% for 2022-2023; and

WHEREAS, tuition and mandatory fee revenue is a critical component of the level of excellence we offer our students, of maintaining a strong workforce, and of the daily operations of the University. The approved tuition increase was intended to offset increasing annual fixed costs and statewide employee compensation increases; and

WHEREAS, in June 2022, the Board of Visitors Finance Subcommittee on Tuition reconvened to study and identify various options on setting UVA in-state, undergraduate tuition. The Subcommittee was charged with making recommendations to the Board of Visitors on in-state undergraduate tuition rates for future years; and

WHEREAS, as part of historic investments in higher education, the Commonwealth appropriated additional state funding designated to support affordable access for in-state undergraduate students; and

WHEREAS, University leadership analyzed revenue and cost savings opportunities to identify the funding necessary to award a one-time credit; and

WHEREAS, the University exists as a public institution to serve the Commonwealth of Virginia and values its very strong relationships and partnerships with the Executive Branch and the General Assembly;

RESOLVED, the 2022-2023 in-state, undergraduate tuition rates are affirmed, with a one-time credit to be provided to all in-state undergraduate students. This will result in an approximately \$7.5 million budgetary impact to the University's 2022-2023 operating budget, to be funded through savings resulting from cost efficiencies, as well as additional Commonwealth funding.

ONE-TIME CREDIT FOR COLLEGE AT WISE IN-STATE UNDERGRADUATE STUDENTS

WHEREAS, in December 2021, the Board of Visitors approved a 3% increase in undergraduate tuition and mandatory fees for the College at Wise in 2022-2023; and

WHEREAS, tuition and mandatory fee revenue is a critical component of the level of excellence we offer our students, of maintaining a strong workforce, and of the daily operations of the College. The approved tuition increase was intended to offset increasing annual fixed costs and statewide employee compensation increases; and

WHEREAS, as part of historic investments in higher education, the Commonwealth appropriated state funding for all the College's requests; and

WHEREAS, College leadership determined that revenue and cost savings opportunities in combination with the Commonwealth's robust funding permit the awarding of a one-time credit; and

WHEREAS, the College exists as a public institution to serve the Commonwealth of Virginia and values its very strong relationships and partnerships with the Executive Branch and the General Assembly;

RESOLVED, the 2022-2023 in-state undergraduate tuition rates are affirmed, with a one-time credit to be provided to all in-state undergraduate students. This will result in a budgetary impact of approximately \$156,000 to the College at Wise 2022-2023 operating budget, to be funded through savings resulting from cost efficiencies, as well as additional Commonwealth funding.

Report: Executive Vice President's Remarks

Ms. Davis introduced Vice President for Finance Melody Bianchetto and Vice Provost for Planning Adam Daniel who provided an update on the Finance Strategic Transformation project.

Ms. Davis then introduced CEO and CIO Robert Durden, who gave the UVIMCO annual report.

Report: University of Virginia Investment Management Company 2021-2022 Annual Report

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 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.

Mr. Durden provided an overview of the current market environment and the asset allocation, performance, and liquidity position of the Long-Term Pool as of the fiscal year ending June 30, 2022. In sum, the Long-Term Pool performed better than the policy portfolio, ending the year at -4.7% in comparison with the benchmark of -13.2%. Over the longer term, UVIMCO has consistently outperformed the policy portfolio benchmark.

The Health Plan written report can be found as an attachment to these minutes.

Chairman Blue adjourned the meeting at 9:50 a.m.

SGH:ddr

These minutes have been posted to the University of Virginia's Board of Visitors website:

<http://bov.virginia.edu/committees/205>

ATTACHMENTS

16 September 2022

His Excellency Glenn Youngkin
Governor
Commonwealth of Virginia
PO Box 1475
Richmond VA, 23218

Dear Governor Youngkin:

I have had the privilege of serving the Commonwealth on the Board of Visitors at the University for six years. As such, I take my fiduciary role and responsibilities very seriously. Holding the line on tuition is not a new focus. As have many board members and administrators, I have worked tirelessly for years keeping tuition increases low. I, like others, greatly appreciate your support for continued growth of state contributions to the cost of higher education, which can directly lower tuition, however, this growth has been out-paced by state-mandated increases, making it difficult to dismiss annual increases. I am troubled by the request/demands of your Administration which bypassed the existing systems in place. The fact that the demand was made post the passage of the Commonwealth budget in June of 2022, requesting that all public universities eliminate the tuition increase for in-state undergraduate students this academic year, makes it hard to deliver without damaging the control points.

Mandating short term financial strategies for the Commonwealth's public colleges and schools does not recognize the very effective governance structure that was designed to, and has delivered, strong financial management for our institutions. The established governance structure leaves these decisions to the boards of visitors whose statutory duties include considering all relevant data and making informed tuition decisions for their respective schools. The gubernatorially appointed members of these boards are fiscally responsible individuals who have sworn to do the right thing for the Commonwealth and who care deeply about controlling costs for our students.

Inflation has impacted university budgets just as it has impacted parents' finances. In quick analysis, six state institutions have significant budget gaps already affecting their ability to thrive. Commonwealth schools provide unequalled value for dollar for students and unparalleled commitment from graduates to fund even better schools. Some facts about UVA:

1. UVA has a long track record of responsible financial management. UVA is only one of 2 public institutions that meets 100% of demonstrated financial need for all of our undergraduate students;
2. UVA is only one of 6 public institutions in the nation with a Triple A bond rating;
3. UVA's value rankings have us "punching way above our weight" with #3 Best Public University by US News and World Report, and #3 Best Value Public University and #1 Best Public University for Financial Aid by the Princeton Review.

What is wrong with a tuition rebate for in-state students this year? Simply put:

1. It does not respect the fiduciary role of the Board of Visitors;
2. It forces unplanned financial moves that could take years to repair;
3. It risks reputational harm by interjecting short term political wishes at the expense of a well-managed multi-year financial plan; and
4. It provides fewer resources to pay our staff and faculty at competitive rates, and most importantly, to provide an excellent education to our students.

Governor, you have the organization and systems in place today to manage. You have significant management experience. I simply question if this initiative is worth the long-term impact. Organizations can either be managed or mandated. One or the other. No tuition increase--sounds great, and in two of the past six years that's what we were able to deliver. But doing this post the budgeting process requires unnatural financial steps that often bypass basic controls.

I am strongly opposed to the process that led to drafting of the proposal to rescind the tuition increase approved by the UVA Board of Visitors in December of 2021. As a board member, I ask you to join me in making it clear, while we have complete respect for the Governor, this process is neither respectful of governing boards or school administrators.

With utmost respect,

Thomas A DePasquale (Tom D)

UVA Health Plan

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 all University of Virginia, University of Virginia's College at Wise, and Medical Center current and prospective faculty and staff; (2) support the wellbeing of participants; and (3) provide appropriate fiscal management and ensure lower administrative costs.

For the plan year beginning January 1, 2021, 92% of eligible employees enrolled in UVA's health plan, up 1.8% from the prior year. Plan enrollment is broken down in the attached Annual Update on the UVA Health Plan.

- **Enrollment.** 39% of eligible employees are enrolled in the Value Health PPO option, 22% are enrolled in the Choice Health PPO option, and 38% are enrolled in the Basic Health 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 is a market leader in the amount of employer contribution towards the cost of insurance, covering 84% of the cost of care.
- **Workforce.** UVA had 18,469 benefits-eligible employees; enrollment has slowly decreased since 2020.

Total Employees Enrolled	
2022	16,807
2021	17,019
2020	17,454

Education and Awareness: Each year, UVA invests significant resources to educate participants about their benefit options prior to Open Enrollment, including potential annual costs for each of the UVA Health Plan options. Open Enrollment in 2021 contained these elements:

- A virtual Benefits & Wellness Expo
- 99 virtual one-on-one sessions
- 609 attendees, Online + 8 locations
- 18,469 members received a 12-page brochure and 6-page cost comparison at their home address on the details of Open Enrollment for plan year 2022
- 21,243 Open Enrollment website page views, with no premium changes and virtually no enrollment differences, fewer people visited the website than in the prior year.

The results of these efforts were as follows:

- 4.85 out of five average customer satisfaction score for HR Solution Center survey results during Open Enrollment
- 4,509 Open Enrollment engagements with the HR Solution Center 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.

UVA HR provided affordable solutions for health care in pre-Medicare retirement planning. In response to immediate feedback, additional benefits counseling was offered. There were 358 completed consultations: 72 Medicare, 281 Pre-65 Medicare, and 5 prescription drug plan reviews.

UVA HR provided one rate for part- and full-time eligible employees as a health plan alternative to allow for workforce flexibility.

UVA HR partners with Mercer Consulting to ensure health plan designs are benchmarked with higher education, academic medical centers, and general industry. Actuarial analysis is completed on a regular basis and reported quarterly.

Opportunities: UVA HR will continue to focus on the following opportunities within the UVA Health Plan and well-being programs:

- Provide meaningful educational opportunities for eligible employees to make educated decisions regarding their health plan and well-being choices
- Implement a new Flexible and Health Savings Account Administrator, adding flexibility in accessing account and payment
- Change waiting period eligibility to Date of Hire versus first of following month
- Expand access to mental health benefits with virtual providers
- Increase PCP utilization and access to support health needs that drive outcomes
- Review benefit plan design with a focus on social determinates of health as well as diversity, equity, and inclusion
- Resolve finding of the UVA Health Plan Pharmacy Benefit Rates audit recommendations.
- Set UVA Health Plan rates and plan design, effective 1/1/2023.
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*Kaiser Family Foundation, online: <https://www.kff.org/report-section/ehbs-2021-summary-of-findings/>, Figure B. November 10, 2021.

2021 UVA HEALTH PLAN SUMMARY

92% of eligible employees are enrolled in the UVA Health Plan across UVA Health and the Academic Division, up 1.8% from the prior year.

Plan Option Name	Basic (HDHP)	Value (PPO)	Choice (PPO)
Plan Type	High Deductible: \$2,000	PPO: \$800 deductible	PPO: \$500 deductible
Employee Participants	6,650	6,676	3,767
Dependent Participants	6,386	7,383	3,132
Pre-65 Retirees	123	35	91
Retiree dependents	40	7	6
Total Participants	13,199	14,101	6,996

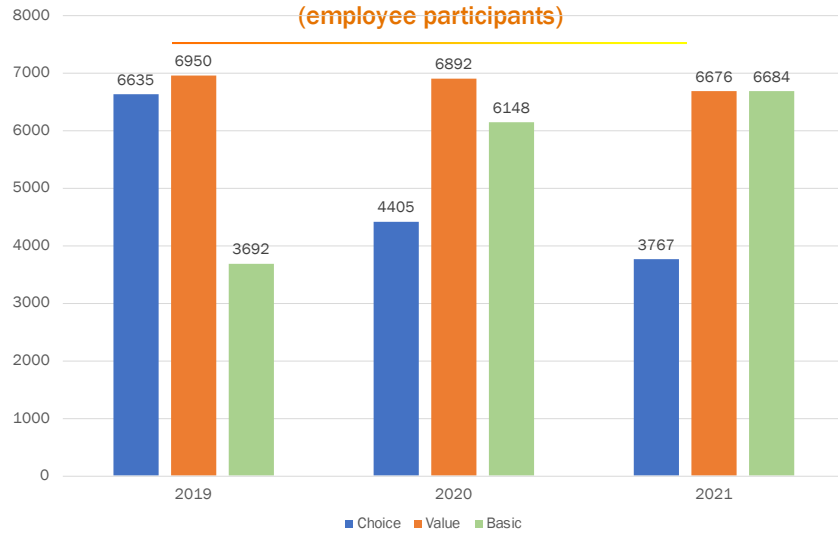


9% increase in participants in the High Deductible Health Plan (Basic HDHP)



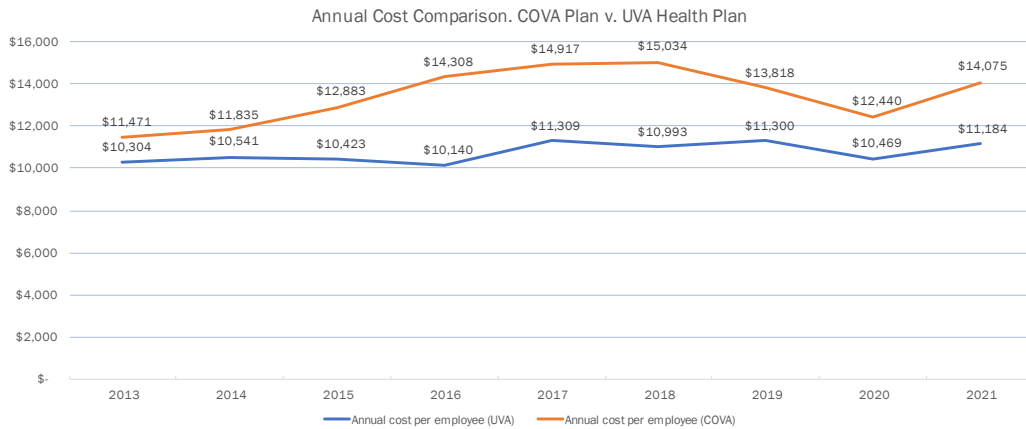
38% of all enrollees are in the Basic HDHP

THREE-YEAR MIGRATION SUMMARY



UVA HEALTH PLAN TREND COMPARISON

UVA leads other large employers in all aspects of health benefits, including lower annual cost per employee when compared to the Commonwealth of Virginia (COVA).



UVA HEALTH PLAN THREE-YEAR ROADMAP

2022	2023	2024
Implement new Flexible and Health Savings Account Administrator*	Stabilize new Flexible and Health Savings Account Administrator. Manage black period (5-10 days) and year end claims run out.	Build out Institute Of Quality, value network, and virtual network opportunities with UVA Health System
Change waiting period eligibility to Date of Hire	Explore health plan reporting opportunities available after FST go live/stabilization	Rebrand and Redesign UVA Health Plan options
Establish process for reconciling health plan membership enrollment between Workday and Aetna In partnership with UVA ITS, completed HIPAA risk assessment	External Pharmacy and Medical Audit (3-year cycle)	Identify which digital health solutions are a fit to drive outcomes for members.
Move benefits billing into Workday Customer Accounts	Review and market Davis Vison Contract. Ideal vendor will accept medical and vision	Deploy on-site or near-site clinical program.
Expand access to mental health benefits with virtual providers.	Increase PCP utilization and access to support individual members health needs that drive outcomes.	Automate Qualified Life Events (CLE) and dependent verification

APPENDICES