



To: Business Managers and Human Resources Facilitators  
From: Dennis Press, University Controller  
Re: GSHIP Update on Distribution of Premium Expenses  
Date: May 18, 2011

### OVERVIEW

The premium expenses for the Graduate Student Health Insurance Program (GSHIP) are paid by the University on a monthly basis. The same sources of funds that provide financial support to the graduate student also pay the proportionate cost of the health insurance premiums. Salary payments for services processed through the Payroll System and non-service awards processed through the Accounts Payable System provide the fund sources used for the proportionate cost allocation of the premiums. Premium expenses for a particular month are prorated among each student's salary, fellowship, and traineeship sources of the previous month based on the Payroll System and the Accounts Payable System data.

The implementation of Starlight during FY 2010-11 will necessitate a retroactive change in the cost allocation process for the premiums. Starlight is a comprehensive system to collect and report all funds, especially departmental awards, given to a student in support of their attendance at the University. Since Starlight processes non-service awards that previously were processed through Accounts Payable, data from Starlight will also be included in the cost allocation process for premium expenses.

Given that Starlight was implemented early in FY 2010-11 and non-service awards were omitted from prior calculations of premium cost allocations, retroactive cost adjustments are needed. The following correction process will be used:

- a) The monthly FRS GSHIP expense transactions for October 2010 through April 2011 will be reversed in FRS.
- b) The Starlight System will provide data for non-service awards for the Fall Semester which will be allocated over the 5-month period August 2010 through December 2010.
- c) Non-service awards for the Spring Semester will be allocated over the 5-month period January 2011 through May 2011.
- d) This Starlight data will be combined with monthly data from the Payroll and the Accounts Payable Systems.
- e) The monthly FRS GSHIP expense transactions for October 2010 through April 2011 will be recalculated and then posted in FRS.

The programming and administrative efforts to make these adjustments are significant, but the goal is to process all of the reversal and the correcting entries prior to the month-end close for May 2011. The health insurance premium posted in May and June 2011 will also be allocated based on all funding sources including service and non-service awards.

The cost allocation of the health insurance premiums for Summer 2011 and for FY 2011-12 will also be based on the new process, will use data from the Starlight System as well as the Payroll and the Accounts Payable Systems, and the expense allocations will be calculated and posted in FRS each month.

### **DETAIL INFORMATION**

This section provides more detail information regarding the methods of payments used for graduate students, the insurance premium payment procedures, and the cost allocation process for the remainder of FY 2010-11.

#### Methods of Payments to Graduate Students

The following methods of payments to graduate students are used:

1. Compensation through Payroll Services - An EPA Personnel Action is processed in EPA Web for service appointments using standard procedures. Graduate students with a teaching assignment are paid monthly (object code 1317), and the rank code for a Teaching Assistant is 21. Graduate students with a research assignment are paid monthly (object code 1117), and the rank code for a Research Assistant is 22. Pre-Doctoral Fellow trainees are paid on the monthly payroll and their rank code is 23.
2. Payment through Disbursement Services – A traineeship payment for a non-service award to a graduate student is paid through Disbursement Services using the Check Request. The following information is required in the Notepad section of the Check Request:
  - Description of payment (e.g. traineeship)
  - Non-service award for degree-seeking candidate and field of study
  - Period of award, first and last months of payment, number of payments desired
  - Indication if student is undergraduate or graduate
  - Indication if student is or is not a US citizen  
(Foreign National Information Form, PR-100, must be attached for non-US citizens)

The expense object code for a traineeship payment to students enrolled in the insurance program is 6571 – Trainee Degree Stipends.

3. Awards through Starlight System – Fellowship and other non-service awards are processed through the Starlight System. The expense object codes for the payments to students enrolled in the insurance program would be:

- 6511 – Appropriated Non-Service Scholarships
- 6512 – Appropriated Non-Service Fellowships
- 6593 – Other Non-Service Scholarships
- 6594 – Other Non-Service Fellowships
- 6973 – Trainee Tuition and Fees

Please refer to <http://gradschool.unc.edu/policies/starlight/> for additional information regarding Starlight.

#### Insurance Premium Payment Procedures

The on-line enrollment file is updated by campus units, and the health insurance enrollment data is provided to the insurance company. The company bills the University on a monthly basis for the insurance premium costs of the Graduate Student Health Insurance Program. The monthly premium amount of \$189.28 per student is billed for FY 2010-11. The University pays the premiums from a central clearing account, and an automated journal entry generated by a GSHIP computer program is processed by Accounting Services to distribute the premium expenses among the departments. The same sources of funds that provide financial support to the graduate student must also pay the proportionate cost of the health insurance premiums.

A summary of the funding sources used and the premium payment process follows:

1. Academic Affairs Budget Code
  - a. Appropriations and General Receipts Supported - Premium expenses are charged to the departmental account, object 1836 when the payment to the graduate student represents a salary and to object 6596 when the payment to the student represents a non-service award. Budget is automatically transferred from the central budget code pool to the departmental account to fund expenses for object 1836.
  - b. Receipt-Supported - Premium expenses are charged to the departmental account, object 1836.
2. Health Affairs Budget Code
  - a. Appropriations and General Receipts Supported - Premium expenses are charged to the departmental account, object 1836. Expense is automatically reimbursed from the central budget pool to the departmental account to fund expenses.
  - b. Receipt-Supported – Premium expenses are charged to the department account, object 1836.
3. Contracts and Grants, F&A Funds (Overhead Receipts), Other Institutional Trust Funds and Special Funds - Premium expenses are charged to the contract or grant, institutional trust, or special fund account, object 1836 when the payment to the graduate student represents a salary and to object 6596 when the payment to the graduate student represents a non-service award.

Premium expenses for a particular month are prorated among each student’s salary and non-service award sources of the previous month. For example, the premium expenses for the enrollment month of March 15 through April 14 are posted in March and are prorated based on the student’s salary and non-service award sources for the calendar month of February. Expenses are posted monthly in FRS except that the October posting in FRS includes the 2-month period August 15 through October 14 and are prorated based on the student’s salary and non-service award sources for the calendar months of August and September.

Cost Allocation Process

The Starlight System was placed into production in July 2010 and has been used to process non-service awards that previously were disbursed through the Accounts Payable System. Therefore, a retroactive change in the cost allocation process is necessary. The process change FY 2010-11 is based on the need for consistency with the previous allocation process and to enact on a timely basis given the approaching year-end. The Starlight System will provide data for non-service awards for the Fall Semester allocated over the 5-month period August 2010 through December 2010, and for the Spring Semester allocated over the 5-month period January 2011 through May 2011.

This Starlight data will be combined with monthly data from the Payroll and the Accounts Payable Systems. The monthly FRS GSHIP expense transactions for October 2010 through April 2011 will be recalculated and then posted in FRS. The programming and administrative efforts to make these adjustments are significant, but the goal is to process all of the reversal and the correcting entries prior to the month-end close for May 2011. The health insurance premiums posted in May and June 2011 will also be allocated based on all funding sources including service and non-service awards. Since the FRS expense transactions are posted one month in arrears of the service and non-service payments, the following example of the calculation is provided:

**Spring Semester - student receives a \$1,000.00 fellowship, a \$100 trainee stipend, and a TA appointment.**

	Non-Service		Service	Total
	Starlight	Accounts Payroll	Payroll	
<b>Time Period</b>	Spring Semester	March 2011 Disbursement	March 2011 Payroll	
<b>Awards / Payments</b>	\$200.00 (1/5 of \$1,000)	\$100.00	\$300.00	\$600.00
<b>Premium Expense posted in FRS in April 2011</b>	\$63.09	\$31.55	\$94.64	\$189.28
<b>Percent of Total</b>	33.33%	16.67%	50.00%	100.00%

The cost allocation of the health insurance premiums for Summer 2011 and FY 2011-12 will also be based on the new process, will use data from the Starlight System as well as the Payroll and the Accounts Payable Systems, and the expense allocations will be calculated and posted in FRS each month.

Thank you for your cooperation in resolving this issue. If you have a unique need for an additional adjustment of GSHIP premium costs, please let us know and we will work with you to resolve the issue. If you have any questions please contact Emily Coble, Cash Manager, at [emily\\_coble@unc.edu](mailto:emily_coble@unc.edu) or 962-1601, Carolyn Sturgess, Controller's Office, at [sturgess@email.unc.edu](mailto:sturgess@email.unc.edu) or 962-5512, or me at [dennis\\_press@unc.edu](mailto:dennis_press@unc.edu) or 962-7007.