

MINUTES

FINANCE COMMITTEE

UNIVERSITY OF SOUTHERN INDIANA BOARD OF TRUSTEES

November 4, 2002

The Finance Committee of the University of Southern Indiana Board of Trustees met via conference call on Monday, November 4, 2002, in the Wright Administration Building Room 100. Present was Trustee Tina Kern-Raibley. Attending via conference call were Trustees Pat Hoehn and Tom McKenna. Also attending were Vice President for Business Affairs Robert Ruble, Vice President for Governmental Relations Cynthia Brinker, Vice President for Advancement Sherrienne Standley, Business Office Director Michael Whipple, Director of Human Resources Darlene Fisher, and Manager of Benefits and Compensation Angela Brawdy.

Mr. Hoehn called the meeting to order at 10:05 a.m.

1. APPROVAL OF ANTHEM BLUE CROSS/BLUE SHIELD GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC. DENTAL INSURANCE PREMIUM RATES

Mr. Hoehn called on Vice President Brinker to review the recommendations for health insurance renewals. Ms. Brinker noted that at its meeting on September 5, 2002, the University of Southern Indiana Board of Trustees approved a resolution authorizing the Finance Committee to act on behalf of the Board to approve health insurance premium rates and the flexible benefit plan administrative fee and to report to the Board at its next regular meeting. Ms. Brinker reviewed the three plans offered to USI employees and presented the following information and recommendations.

The University of Southern Indiana offers two health insurance programs through Anthem Blue Cross/Blue Shield -- the Blue Traditional Plan (Indemnity) and the Blue Access Plan (Premium Preferred Network: PPN).

A comprehensive review of claims from both Anthem health plans indicates incurred claims totaled 93.5 percent of paid premiums under the deposit premium arrangement and expenses for the plan totaled 15.5 percent, for an underwriting loss of 9 percent. Anthem projects an increase of approximately 27 percent in incurred claims in 2003 and is basing the premium renewal on trend factors of 16 percent for medical and 26 percent for prescription drugs.

The 2003 premium rates for the Anthem Blue Cross/Blue Shield Blue Traditional and the Blue Access health insurance plans were established using the deposit premium financial arrangement. In 2000, the University implemented the deposit premium financial arrangement to minimize the impact of the 2000 renewal rates. The University proposes to continue the deposit premium financial arrangement, a cash-flow model in which the University retains a reserve account and remits a portion of the monthly premium to Anthem. If expenses exceed the remitted amount, the University agrees to remit up to the full premium amount. The advantage of this arrangement is that the favorable cash flow associated with future underwriting gains is advanced to the University prior to the annual settlement. If underwriting gains do not occur, or are less than the amount of premium not paid, the University is not responsible for paying expenses above the full premium fee.

BLUE TRADITIONAL PLAN – (INDEMNITY)

The following Anthem Blue Cross/Blue Shield health insurance monthly premium rates for the Blue Traditional Plan have been quoted for a 12-month period beginning January 1, 2003.

The medical premium rates from Anthem Blue Cross/Blue Shield for 2003 reflect a 17.7 percent rate increase for single and family memberships and a 6 percent rate increase for retiree (over 65) memberships.

There are two plan design changes proposed by Anthem Blue Cross/Blue Shield and recommended by the University:

- Prescription Drug Co-payments - Increase from \$8/15/25 to \$12/24/40
- Annual Deductible - Increase from \$200/\$400 to \$250/500 for single and family plans

Mandatory contract and administration changes required by Anthem Blue Cross/Blue Shield effective January 1, 2003, will move the prescription drug benefit within the 100 percent Human Organ and Tissue Transplant Benefit to the prescription drug co-payment benefit.

The 12-month renewal rates effective January 1, 2003, for Health Resources, Inc. dental insurance reflect a 6 percent rate increase for single memberships and an 8 percent rate increase for family memberships. The renewal rate is the result of an increased number of claims for USI employees and dependents and an increase in dentists' fees and procedures effective January 1, 2003.

The 2003 insurance rates include a contribution for funding the liability for post-retirement benefits.

Anthem Blue Cross/Blue Shield - Blue Traditional Plan and Health Resources, Inc. provide the primary health/dental insurance for 160 active employees and 88 retirees. The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for single, family, and retiree coverage is 75 percent of the total premium.

Approval to renew the master policies with Anthem Blue Cross/Blue Shield – Blue Traditional Plan, including the plan design changes, and with Health Resources, Inc. with the following rate schedule was recommended.

**2003 MONTHLY PREMIUM RATES
 ANTHEM BLUE CROSS/BLUE SHIELD – BLUE TRADITIONAL PLAN**

	<u>BC/BS MEDICAL PREMIUM</u>	<u>HRI DENTAL PREMIUM</u>	<u>POST- RETIREMENT CONTRIBUTION</u>	<u>2003 TOTAL MONTHLY PREMIUM</u>	<u>2002 TOTAL MONTHLY PREMIUM</u>
Single	\$331.33	\$20.82	\$ 8.50	\$360.65	\$309.50
Family	\$855.26	\$54.82	\$22.00	\$932.08	\$799.41
Over 65 (Retired)	\$254.63	\$20.82	\$ 8.50	\$283.95	\$268.47

BLUE ACCESS PLAN – (PREMIUM PREFERRED NETWORK: PPN)

The Anthem Blue Cross/Blue Shield - Blue Access Plan provides employees with a second option in their selection of medical insurance plans. The Blue Access Plan is designed with elements of a managed care plan as an incentive to reduce medical costs. The Blue Access Plan was first offered with the 1999 renewal. The following Anthem Blue Cross/Blue Shield health insurance monthly premium rates for the Blue Access Plan have been quoted for a 12-month period beginning January 1, 2003.

The medical premium rates from Anthem Blue Cross/Blue Shield for 2003 reflect an 18.4 percent rate increase for single and family memberships and an 11.5 percent rate increase for retiree (over 65) memberships.

There are three plan design changes proposed by Anthem Blue Cross/Blue Shield and recommended by the University:

- Prescription Drug Co-payments - Increase from \$8/15/25 to \$10/20/30
- Office Visit Co-payment - Increase from \$10 to \$15
- Emergency Room Co-payment - Increase from \$50 to \$75

Mandatory contract and administration changes required by Anthem Blue Cross/Blue Shield effective January 1, 2003, will move the prescription drug benefit within the 100 percent Human Organ and Tissue Transplant Benefit to the prescription drug co-payment benefit.

The 12-month renewal rates effective January 1, 2003, for Health Resources, Inc. dental insurance reflect a 6 percent rate increase for single memberships and an 8 percent rate increase for family memberships. The renewal rate is the result of an increased number of claims for USI employees and dependents and an increase in dentists' fees and procedures effective January 1, 2003.

The 2003 insurance rates include a contribution for funding the liability for post-retirement benefits.

Anthem Blue Cross/Blue Shield - Blue Access Plan and Health Resources, Inc. provide the primary health/dental insurance for 271 active employees and 21 retirees. The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for single, family, and retiree coverage is 75 percent of the total premium.

Approval to renew the master policies with Anthem Blue Cross/Blue Shield – Blue Access Plan, including the plan design changes, and with Health Resources, Inc. with the following rate schedule was recommended.

**2003 MONTHLY PREMIUM RATES
 ANTHEM BLUE CROSS/BLUE SHIELD – BLUE ACCESS PLAN**

	<u>BC/BS MEDICAL PREMIUM</u>	<u>HRI DENTAL PREMIUM</u>	<u>POST- RETIREMENT CONTRIBUTION</u>	<u>2003 TOTAL MONTHLY PREMIUM</u>	<u>2002 TOTAL MONTHLY PREMIUM</u>
Single	\$278.18	\$20.82	\$ 8.50	\$307.50	\$263.08
Family	\$718.40	\$54.82	\$22.00	\$795.22	\$679.44
Over 65 (Retired)	\$225.00	\$20.82	\$ 8.50	\$254.32	\$229.83

**2. APPROVAL OF WELBORN HMO GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC.
 DENTAL INSURANCE PREMIUM RATES**

The University of Southern Indiana has offered Welborn HMO/Health Resources, Inc. as an alternative health/dental benefit program since October 1988. Welborn HMO is administered locally and currently provides services to approximately 40,000 members in the local area.

A comprehensive review of USI claims for the Welborn HMO plan indicates medical and prescription drug claims totaled 94.5 percent of paid premiums for calendar year 2001. The quoted premium rates effective for a 12-month period beginning January 1, 2003, reflect a 10.3 percent rate increase for single and family coverage and a 14 percent rate increase for retirees (over 65).

There are two plan design changes proposed by Welborn Health Plans and recommended by the University:

- Prescription Drug Co-payments will increase as follows:

Up to 30-day supply	\$5 to \$10 for generic drugs \$15 to \$20 for preferred brand drugs \$25 to \$30 for non-preferred brand drugs
31 – 60-day supply	\$10 to \$20 for generic drugs \$30 to \$40 for preferred brand drugs \$50 to \$60 for non-preferred brand drugs
61 – 90-day supply	\$15 to \$30 for generic drugs \$45 to \$60 for preferred brand drugs \$75 to \$90 for non-preferred brand drugs

- Office Visit Co-payment - Increase from \$10 to \$15

The 12-month renewal rates effective January 1, 2003, for Health Resources, Inc. dental insurance reflect a 6 percent rate increase for single memberships and an 8 percent rate increase for family memberships. The renewal rate is the result of an increased number of claims for USI employees and dependents and an increase in dentists' fees and procedures effective January 1, 2003.

The 2003 insurance rates include a contribution for funding the liability for post-retirement benefits.

Welborn HMO and Health Resources, Inc. provide the primary health/dental insurance coverage for 265 active employees and 15 retirees. The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for single, family, and retiree coverage is 75 percent of the total premium.

Approval to renew the master policies with Welborn HMO including the plan design changes and with Health Resources, Inc. with the following rate schedule was recommended.

**2003 MONTHLY PREMIUM RATES
 WELBORN HMO**

	<u>WELBORN MEDICAL PREMIUM</u>	<u>HRI DENTAL PREMIUM</u>	<u>POST- RETIREMENT CONTRIBUTION</u>	2003 TOTAL MONTHLY PREMIUM	2002 TOTAL MONTHLY PREMIUM
Single	\$241.91	\$20.82	\$ 8.50	\$271.23	\$247.46
Family	\$626.31	\$54.82	\$22.00	\$703.13	\$640.58
Over 65 (Retired)	\$259.02	\$20.82	\$ 8.50	\$288.34	\$255.31

3. APPROVAL OF THE FLEXIBLE BENEFIT PLAN ADMINISTRATIVE FEE

The Section 125 Flexible Benefit Plan, which was implemented in 1990 and expanded in 1992, allows enrolled employees to pay medical insurance premiums, dependent care expenses, and uninsured medical expenses with pre-tax dollars. Participation in the program has been steady since its introduction. Approximately 25 percent of the eligible employees participate in the uninsured medical expense and

dependent care reimbursement plans; 99 percent of employees with medical insurance are enrolled in the premium-only portion of the plan.

During the 2001 plan year, University savings were \$14,475 due to reduced FICA tax (Social Security and Health Insurance Tax).

BKD (Baird, Kurtz and Dobson), formerly Olive LLP, administers the plan for the University. The per-participant administrative fee of \$5.50 per month has been in effect since January 1, 1998. Renewal rates from BKD reflect no rate increase for a 12-month guarantee period effective January 1, 2003.

Approval to renew the administrative arrangement with BKD for the Section 125 Flexible Benefit Plan with the quoted per-participant rate was recommended.

On a motion by Ms. Kern-Raibley, seconded by Mr. McKenna, the recommended Anthem Blue Cross/Blue Shield - Blue Traditional Plan and Health Resources, Inc. (item 1); the Anthem Blue Cross/Blue Shield - Blue Access Plan, and Health Resources, Inc. (item 1); the master policies with Welborn HMO and Health Resources, Inc. (item 2); and the administrative arrangement with BKD for the Section 125 Flexible Benefit Plan with the quoted per-participant rate (item 3) were approved.

4. APPROVAL OF BUDGET APPROPRIATIONS, ADJUSTMENTS, AND TRANSFERS

Mr. Hoehn called on Vice President Ruble who presented the budget appropriations, adjustments, and transfers in Attachment A.

On a motion by Mr. McKenna, seconded by Ms. Kern-Raibley, the Budget Appropriations, Adjustments, and Transfers in Attachment A were approved.

There being no further business, the meeting adjourned at 10:40 a.m.

BUDGET APPROPRIATIONS, ADJUSTMENTS, AND TRANSFERS

1. Additional Appropriation of Income

From:	Unappropriated Current Operating Funds		
To:	1-10310	Biology Supplies and Expense	6,227
To:	1-10400	School of Nursing and Health Professions Supplies and Expense	144
To:	1-10700	School of Business Personal Services Supplies and Expense	3,125 2,361
To:	1-13200	Library Personal Services	150
To:	1-16410	Alumni Services Supplies and Expense	42
From:	Unappropriated Designated Funds		
To:	2-23100	Faculty Development Travel Supplies and Expense	2,422
To:	2-23300	School of Business Revolving Account Supplies and Expense	32
From:	Unappropriated Auxiliary Funds		
To:	3-30200	University Center Supplies and Expense	851
To:	3-30617	Women's Golf Supplies and Expense	350
From:	Unappropriated Restricted Funds		
To:	4-45085	Medical Education – Research - Dr. Stith Supplies and Expenses	10,088
To:	4-45094	Medical Education – Autoimmune Diabetes Project Supplies and Expense	27,384
To:	4-45102	Medical Education – Regulation of Gene Expression Project Personal Expenses Supplies and Expenses	12,807 22,193
To:	4-46004	Indiana Tobacco Prevention and Cessation - Smokefree Tobacco Grant Personal Expenses Supplies and Expenses	8,093 1,200
To:	4-46269	National Science Foundation - Professor Freudenberg Personal Expenses Supplies and Expenses	11,911 14,561

To:	4-46280	Arts Council of Southwest Indiana - New Harmony Theatre Supplies and Expenses	5,126
To:	4-46281	Arts Council of Southwest Indiana - New Harmony Gallery Supplies and Expenses	4,583
To:	4-46282	Arts Council of Southwest Indiana - Ropewalk and Southern Indiana Review Supplies and Expenses	2,297
To:	4-46410	U.S. Department of Health and Human Services - Nurse Traineeship Supplies and Expenses	42,332
To:	4-46613	Indiana Department of Education - Education Initiative Grant Personal Expenses Supplies and Expenses	1,321 679
To:	4-47801	Lilly Endowment, Inc. - Academic Support in Housing Personal Expenses Supplies and Expenses	9,000 1,850
To:	4-47802	Lilly Endowment, Inc. - Fostering Community Development Supplies and Expenses	32,000
To:	4-47803	Lilly Endowment, Inc. - Supplemental Instruction Personal Expenses	49,199
To:	4-47804	Lilly Endowment, Inc. - Teaching/Learning Center Personal Expenses Supplies and Expenses	38,735 14,405

2. Additional Appropriation of Reserve Funds

To:	1-14005	Career Services Supplies and Expense	296
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3. Transfer and Appropriation of Funds

From:	1-10200	School of Liberal Arts	
To:	3-32002	Lincoln Amphitheatre Personnel Services	3,911
From:	1-10700	School of Business	
To:	2-22350	Organizational/Professional Development Revolving Fund Personal Services	4,950
From:	2-20050	Student Services Operations	
To:	2-20760	International Programming Supplies and Expense	300
From:	2-23050	Community of Scholars	
To:	2-23000	General Instruction Revolving Fund Supplies and Expense	1,151

From:	3-30200	University Center	
To:	3-36010	Intramural Programs Supplies and Expense	50

4. Transfer of Funds

From:	1-14008	Multicultural Center	
To:	2-20120	Multicultural Center	4,395

From:	1-14008	Multicultural Center	
To:	2-20125	Gospel Choir	1,105

From:	2-20050	Student Services Operations	
To:	3-33400	Residence Life Activity	550

From:	2-20050	Student Services Operations	
To:	6-60199	Intramural Lights	25,000

From:	2-27000	RISC (Research, Innovation, Scholarship, Creativity) Awards	
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To:	2-28001	RISC Award – Anna Pulliam Supplies and Expenses	500
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To:	2-28002	RISC Award – David Diaz Supplies and Expenses	500
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To:	2-28003	RISC Award – LaVerne Jones Supplies and Expenses	500
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To:	2-28004	RISC Award – Heather Dodd Supplies and Expenses	500
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To:	2-28005	RISC Award – Rachel Weyer Supplies and Expenses	185
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To:	2-28006	RISC Award – Amanda Diehl Supplies and Expenses	187
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To:	2-28007	RISC Award – Tim Hayes Supplies and Expenses	500
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To:	2-28008	RISC Award – Autumn Williams Supplies and Expenses	500
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