Annual Open Enrollment

Once a year, full-time employees have the opportunity to make changes in medical, dental, and Personal Accident Insurance coverages and to enroll in the university’s Tax Saver Benefit (TSB) Plan.

If an employee does not take any enrollment actions during Open Enrollment, participation in medical, dental, and Personal Accident Insurance will remain the same at the 2004 contribution rates. If an employee does not enroll in the Tax Saver Benefit Plan, he/she will not be a participant in 2004. Participants in Partners HMO who do not select another medical plan during Open Enrollment will not have IU-sponsored medical coverage effective January 1, 2004.

Participation in the university’s TSB plan requires enrollment each year to take advantage of pre-tax reimbursement of health and dependent care expenses. Employees do not need to be enrolled in an IU-sponsored health plan to take advantage of the TSB plan.

2004 Health Care Plans

2.26 Percent Increase in Medical Premiums

For 2004, there will be a 2.26 percent increase in the weighted average adjustment in medical premiums for the university’s four medical plan options. There will also be a 7.5 percent increase in dental premiums.

The above are adjustments in total premiums, and employee contributions will increase or decrease based on the difference between total premium and the university’s contribution amount. For 2004, the university will contribute the following for medical and dental plan coverage:

2004 University Contributions

<table>
<thead>
<tr>
<th>MEDICAL</th>
<th>DENTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Only</td>
<td>$3,307.75</td>
</tr>
<tr>
<td>Employee/Child(ren)</td>
<td>$6,208.08</td>
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<tr>
<td>Employee/Spouse</td>
<td>$7,542.38</td>
</tr>
<tr>
<td>Family</td>
<td>$8,108.27</td>
</tr>
</tbody>
</table>

Note: The university will contribute a greater amount for non-exempt Staff with a base salary of less than $23,465.

Highlights of Modifications

IU Dental Plan

• No plan changes.

IU PPO-Plus

• One comprehensive eye exam per year, including refraction, will be covered.
• The prescription brand copay schedule has increased to $15 (for brands under $60), $30 (for brands $60 and over). The $5 generic copay will remain the same.
• Prescription coverage for non-sedating antihistamines has been moved to Tier 4, 100 percent copay with plan discounts.
• A new service will be added to inform members of optional lower cost substitutes for high-cost brand drugs.

New Tax Deferred Savings Plan

Indiana University is pleased to announce the establishment of the IU Retirement Savings Plan, effective September 1, 2003—an additional opportunity for employees to accumulate retirement savings with tax deferred contributions and investment earnings. (The IU Board of Trustees is expected to formalize the adoption of this new plan at their September 2003 meeting.)

The IU Retirement Savings Plan will take advantage of IRC Section 401(k) deferred compensation provisions, allowing employees to voluntarily contribute to a retirement account by “deferring” a portion of their salary on a before-tax basis. General provisions of the IU Retirement Savings Plan include:

Tobacco Use and Health

Study Links Smoking, TB Deaths

About half the tuberculosis deaths among men in India, which has the world’s highest TB toll, are due to smoking, new research indicates. In the first major study to identify smoking as an important cause of death from tuberculosis, researchers calculated that men in India who smoke are about four times as likely to become ill with TB and die as non-smokers. They concluded that three-quarters of the smokers who became ill with TB would not have done so if they had not smoked. The research, published in “The Lancet” medical journal, illustrates how smoking magnifies the death toll from illnesses. Source: Boston (MA) Globe, 2003-08-15

Retirees Under Age 65

More Affordable Health Care

Effective January 2004, Retirees who are under age 65 (not eligible for Medicare) will have the option of enrolling in two IU-sponsored self-funded PPO medical plans: IU PPO $900 Deductible and IU PPO-Plus. Medical premiums for these Retirees will be the same as COBRA participants for the respective plan, which are based on the premiums for the active employee pool.

These Retirees will benefit from this new provision as follows:

• There will be a choice of two medical plans.
• Medical plan coverages will be expanded.
• Premiums will be the same as COBRA participants.

Additional details will be available at the time of retirement from the university.
Eligible Dependents

Qualified dependents include:

- The employee’s spouse as defined by Indiana law; registered same sex domestic partners, and
- The employee’s unmarried biological and/or adopted children or stepchildren through age 18, or until the child turns 24 if a full-time student.

Points to Remember

- Tax dependent status - in order to be eligible, the employee’s child must meet the IRS support test as a qualified dependent of the employee or spouse.

Examples of reimbursable health care expenses

- Prescriptions
- Deductibles and copays
- Routine care/physical exams
- Transportation for medical services
- Visits to optometrists, ophthalmologists, optician, or dentist
- Radiology
- Hearing aids and related expenses
- Weight-loss programs and services for obesity
- Stop-smoking programs
- Dental care and orthodontia
- Acupuncture
- Over-the-counter medicines

How the TSB Plan Saves Money

Suppose an eye care professional says that a pair of glasses cost $262, but a $62 mail-in rebate is available to make the cost of the eyeglasses only $200. Most people would take advantage of this rebate. The Tax Saver Benefit Plan provides a similar kind of savings—prescriptions, prescription lenses, frames, and contacts.

Examples of expenses not allowed by IRS regulations

- Cosmetic procedures or medicines prescribed for cosmetic purposes
- Expenses paid but not yet incurred
- Kindergarten
- Overnight camp

Disabled child eligibility - a fully disabled child may be eligible to continue coverage after reaching age 24. Contact a campus human resource office for information on how to apply for continued coverage.

Newborn eligibility - in most cases, a newborn is covered for the first 31 days, but in order to continue coverage the newborn must be enrolled through an campus human resource office within 60 days of birth. After 60 days, the next opportunity to add the newborn is Open Enrollment for the next year.

Midyear changes - the elections made during Open Enrollment must stay in effect for the entire year unless an IRS-defined “change in status” is experienced, such as marriage, a birth, or a spouse’s loss of other employer coverage. Changes must be made within 60 days of the date of the change in status. At that time, the employee must wait until the next Open Enrollment.

Duty to notify of ineligibility - the employee is responsible for notifying the university in writing within 60 days of any change that affects the employee’s eligibility, for example, marriage or divorce. A medical or dental plan member ceases to be a covered dependent on the date the member no longer meets the definition of a dependent, regardless of when notice is given to the university. Failure to provide timely notice to the university can jeopardize COBRA benefits and result in additional cost to the employee.
Pharmaceutical Manufacturers and the Cost of Medications

According to pharmaceutical industry experts, the cost of prescription drugs has increased by 85 percent from 1996 to 2000 and is expected to continue to rise significantly over the next five years. At the same time, pharmaceutical manufacturer profits continue to lead the U.S., posting higher returns on revenue and assets than any other industry.

The competitive tactics of pharmaceutical companies have come under increased scrutiny as both employers and government agencies struggle with increasing costs of providing prescription drug coverage. In particular, pharmaceutical manufacturers have come under fire for the following reasons:

- **Direct-to-consumer (DTC) advertising.** Manufacturers of brand prescription drugs continue to spend exorbitant amounts of money on direct-to-consumer advertising, with television ads for prescription drugs as common as automobile and beverage ads. DTC advertising is controversial with many experts concerned that the ads typically offer limited information and may contribute to inappropriate prescribing and increased prescription costs. For example, the February issue of Consumer Reports warns that drug ads:
  2. Exaggerate how well drugs work.
  3. Make false claims that one drug is better than another.
  4. Suggest unapproved uses for existing drugs, and
  5. Promote still-experimental drugs.

- **Advertising expenditures vs. research and development expenditures.** While drug manufacturers emphasize the importance of their research and development of new life-saving drugs, the eleven Fortune 500 drug companies devote an average of approximately three times more on advertising, marketing, and administrative costs than on research and development of drugs.

- **Blocking generic drug introductions through legal maneuvers.** For example, the Wall Street Journal reported that the maker of the popular drug Claritin filed a lawsuit against ten generic manufacturers in order to block the introduction of a generic form of Claritin. In many cases, lawsuits such as this lack substance but serve to unnecessarily delay the launch of generic products to the detriment of consumers.

- **Anti-competitive agreements with generic manufacturers.** There are many documented cases of agreements where brand manufacturers make large payments to generic manufacturers in return for delaying the generic drug’s introduction.

- **Introducing new dosage forms of drugs prior to generic introductions.** One way a brand prescription drug manufacturer can avoid generic competition is to make a small change in the dosage form of their drug and then employ aggressive marketing strategies to convert patients to the newer product prior to the generic drug release. This practice can significantly reduce the cost savings potential for consumers and employers of new generic drugs. Examples include once-a-day Glucophage and once-weekly Prezac.

These tactics are not going unnoticed. The federal government, state governments, health plans, health provider and consumer groups have begun to address the competitive practices of pharmaceutical manufacturers.

### New Tax Deferred Savings Plan

*from page 1*

- All full-time and part-time (50 percent FTE or more) appointed employees and certain Hourly employees are eligible to participate.
- Salary “deferral” contributions are processed through payroll on a before-tax basis, subject to IRS annual limits. (For 2003, the limit is $12,000 plus another $2,000 for participants who are age 50 or above.)
- Federal and Indiana income taxes on contributions and associated earnings are deferred until funds are withdrawn from the participant’s retirement account.
- Withdrawal of any portion of account accumulations is only allowed upon termination from the university.
- Investment fund options include TIAA-CREF Investment Solutions and Fidelity Investments.

Eligible employees may enroll in either or both the IU Retirement Savings Plan and the IU TDA Plan. While these two plans are similar, there are a couple of meaningful differences in withdrawals. Under the IU TDA Plan, an IRC Section 403(b) plan, employees may withdraw any portion of their account accumulations under age 59 1/2. (Former employees may withdraw any portion of their account accumulations under age 59 1/2.) Under the IU Retirement Savings Plan, only terminated employees may withdraw account accumulations, regardless of age. (There is no IRS penalty for withdrawals at any age.)

To enroll in the IU Retirement Savings Plan employees must take two steps: 1) complete a Salary Deferral Agreement form and 2) complete a 457(b) Account Application form for TIAA-CREF or Fidelity Investments. These forms may be obtained by contacting University Human Resource Services or a campus HR office. Additional information is available at www.indiana.edu/~uhrs.

### Increasing Drug Costs–What Can Employees Do?

The cost and efficacy of prescription drugs vary widely with newer drugs costing more, often significantly more, than older ones. In addition, new drugs may be no more effective, no safer, and possibly less safe than older drugs. For example, researchers now say that diuretics are often the top choice for combating high blood pressure in light of new findings from a landmark study published in the December 18, 2002 issue of The Journal of the American Medical Association. Newer blood pressure drugs like Zestril and Norvasc were reported as less effective in preventing strokes and heart attacks than the generic hydrochlorothiazide. Researchers analyzing the study estimate that approximately $250 to $650 per patient per year could be saved by using diuretics. Examples of widely prescribed new drugs that have been recalled for safety reasons are Redux (dieting), Propulsid (heartburn), Rezulin (diabetes), Seldane (allergies), and Baycol (cholesterol).

What can employees do to help reduce their out-of-pocket costs and lower the rate of increase in the cost of prescription drug benefits while maintaining or even improving the health benefits of their medications? Consider the following tips:

1. Ask the doctor if there are generic alternatives to medications that are currently being taken or when a new drug is prescribed. If a generic is available, work with the physician to see if the generic is right.Generic drugs cost the employee and health plan less.

2. If the benefit plan has a list of “select” or preferred drugs, ask the physician to prescribe from the plan’s list. These drugs have a lower copay.

3. Be an informed consumer. Understand that newer drugs are not necessarily better drugs. Resist requesting an advertised prescription drug without knowing what condition the drug is designed to treat and side effects and safety concerns.

4. Ask the physician for samples or a 30-day trial prescription of a newly prescribed medication. Be an informed consumer. Understand that the physician may choose a generic or brand alternative that is more cost-effective, safer, and therapeutically equivalent to a drug that has been advertised.

5. Ask the physician about lifestyle changes like smoking cessation, improved nutrition, weight loss, and exercise, that can improve health and help avoid or reduce the need for prescription medications.

Prescription medications—used correctly and safely—can have a significant impact on improving medical condition(s). Talk to the doctor to help ensure appropriate, cost-conscious, and effective prescription drug use.

### 2004 Medical Premium Rates (Monthly)

*From page 1*  

<table>
<thead>
<tr>
<th>Plan</th>
<th>Total Monthly Premium</th>
<th>% Change1</th>
<th>Employee Contribution2</th>
<th>Difference 2003 to 20041</th>
</tr>
</thead>
<tbody>
<tr>
<td>IU PPO-Plus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Only</td>
<td>$366.56</td>
<td>3.6%</td>
<td>$58.87</td>
<td>$20.56</td>
</tr>
<tr>
<td>Employee/Child(ren)</td>
<td>$726.08</td>
<td>3.6%</td>
<td>$154.67</td>
<td>$23.06</td>
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<td>Employee/Spouse</td>
<td>$869.30</td>
<td>3.6%</td>
<td>$147.79</td>
<td>$26.60</td>
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<tr>
<td>Family</td>
<td>$1,009.76</td>
<td>3.6%</td>
<td>$201.57</td>
<td>$33.07</td>
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<tr>
<td>IU PPO 9000 Deductible</td>
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</tr>
<tr>
<td>Employee Only</td>
<td>$259.04</td>
<td>-1.0%</td>
<td>$10.00</td>
<td>$0.00</td>
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<tr>
<td>Employee/Child(ren)</td>
<td>$516.70</td>
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<td>Employee/Spouse</td>
<td>$631.66</td>
<td>-1.0%</td>
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<td>$0.00</td>
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<tr>
<td>Family</td>
<td>$717.34</td>
<td>-1.0%</td>
<td>$141.66</td>
<td>$0.00</td>
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<tr>
<td>M-Plan HMO</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Employee Only</td>
<td>$309.63</td>
<td>17.3%</td>
<td>$12.32</td>
<td>$11.32</td>
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<tr>
<td>Employee/Child(ren)</td>
<td>$616.60</td>
<td>4.8%</td>
<td>$44.26</td>
<td>$14.26</td>
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<tr>
<td>Employee/Spouse</td>
<td>$667.40</td>
<td>3.3%</td>
<td>$58.87</td>
<td>$20.56</td>
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<tr>
<td>Family</td>
<td>$780.24</td>
<td>5.5%</td>
<td>$104.55</td>
<td>$25.81</td>
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<tr>
<td>Blue Preferred Primary POS</td>
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<tr>
<td>Employee Only</td>
<td>$282.86</td>
<td>3.3%</td>
<td>$10.00</td>
<td>$0.00</td>
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<tr>
<td>Employee/Child(ren)</td>
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<td>3.3%</td>
<td>$10.00</td>
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<tr>
<td>Employee/Spouse</td>
<td>$686.27</td>
<td>3.3%</td>
<td>$15.74</td>
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<tr>
<td>Family</td>
<td>$779.22</td>
<td>3.3%</td>
<td>$203.53</td>
<td>$10.18</td>
</tr>
</tbody>
</table>

1 Represents the increase of total premiums from 2003 total premiums.

2 Employee contributions are lower for nonsenpemt staff employees with an annual salary of less than $23,465.

3 Represents the change in employee contribution from 2003.

More details of employee contribution amounts, including dental coverage and additional IU subsidy for lower salaries, will be included with Open Enrollment materials.
Investment Fund Performance

The following sample of retirement investment opportunities reflects average annual total return after all administrative expenses. These figures are based on historical results, and they do not necessarily represent future performance.

<table>
<thead>
<tr>
<th>Money Market Funds</th>
<th>Stock Funds</th>
<th>Fixed Annuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREF Money Market</td>
<td>CREF Growth</td>
<td>Fidelity Magellan</td>
</tr>
<tr>
<td>Fidelity PMMT</td>
<td>Fidelity Blue Chip</td>
<td>Fidelity Contralfund</td>
</tr>
<tr>
<td></td>
<td>Fidelity Europe</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fidelity Overseas</td>
<td></td>
</tr>
<tr>
<td>Bond Funds</td>
<td>International/World Funds</td>
<td></td>
</tr>
<tr>
<td>CREF Bond</td>
<td>CREF Global Equities</td>
<td></td>
</tr>
<tr>
<td>Fidelity Govt. Inc.</td>
<td>Fidelity Europe</td>
<td></td>
</tr>
<tr>
<td>Fidelity Inv. Grade</td>
<td>Fidelity Overseas</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth &amp; Income Funds</th>
<th>PERF Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREF Soc. Choice</td>
<td>Money Market Fund</td>
</tr>
<tr>
<td>Fidelity Fund</td>
<td>Guaranteed Fund</td>
</tr>
<tr>
<td>Fidelity Equity Income</td>
<td>Bond Fund</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Indexes</th>
<th>1 Year % Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Jones Industrial</td>
<td>1.90 12.08</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>-1.61 10.04</td>
</tr>
<tr>
<td>NASDAQ</td>
<td>-2.74 9.33</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>0.97 8.24</td>
</tr>
<tr>
<td>EAFE</td>
<td>-3.76 2.94</td>
</tr>
</tbody>
</table>

Figures for TIAA-CREF, Fidelity Investments and Market Indexes are as of 06/30/2003.

* 8.25% for first quarter, 7.75% for last three quarters, year ending 06/30/2003.

Clergy Act Notice

Campus Security and Crime Statistics

In compliance with the Jeanne Clery Disclosure of Campus Security Policy and Crime Statistics Act, the campus police or safety and security department on each Indiana University campus provides information on crime statistics, crime prevention, law enforcement, crime reporting, and other related issues at the following Web sites and/or campus locations:

- Bloomington www.indiana.edu/~iupd/ 801 N. Jordan Avenue
- Indianapolis www.police.iupui.edu/ 430 N. University Blvd.
- Richmond www.iur.edu/~police/ Springwood Hall, Room 001
- Kokomo www.iuk.edu/adminfin/safe-secure/ Kelley Student Center, Room 234D
- Gary www.iun.edu/~policesw/ Tamarack Hall, Room 01
- South Bend www.iusb.edu/~sbsafety/ Administration Building, Room 116
- New Albany www.ius.edu/UniversityPolice/ University Center, Room 007

Preferred Providers

Provider network entities can be contacted at the phone numbers below to verify the participation status of a specific hospital or physician. Provider lists will also be available at Open Enrollment sessions or employees can review lists at a Web site listed below.

IU PPO-Plus and PPO $900

Medical - Anthem
800-345-2460
www.anthem.com (select Anthem Blue Access)
BlueCard network Providers outside of Indiana 800-810-2583
www.bluecares.com

Prescriptions - Scrip Solutions
800-213-5640
Mail order (ScripPharmacy) 800-677-4323
www.iubenefitsrx.mimrx.com

Mental Health - IU Psychiatric
800-230-4876

M-Plan HMO
317-571-5320 or 800-816-7526
www.mplan.com

IU Dental Plans
888-336-8258
www.cigna.com/dental

The Nyhart Company (TSB)
800-284-8412 or 317-803-7750
www.Nyhart.biz