

BENEFITS PROGRAM BULLETIN

The Informed Employee

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LTD PLAN ENHANCEMENT

The University's LTD (Long-Term Disability) plan provides an opportunity for eligible employees to protect their income in the event of a disabling illness or accident —

“...if you become disabled from an accident or illness, and cannot work, this insurance plan will assist in replacing your paycheck.”

This LTD plan also includes an option that protects a participant's accumulation of retirement benefits.

Plan Enhancement: for a date of disability of January 1, 1999, or later, there will be an **Annual Benefit Increase of 3%** after 36 months of disability payments. Thereafter, this 3% adjustment will be applied annually. This Annual Benefit Increase will apply to both Income and any Retirement Annuity benefits.

LTD Plan Highlights:

- Monthly Income Benefits — equals 60% of base salary, less any Social Security or similar benefits, to a maximum of \$5,000 per month. (There are no income or employment taxes associated with these payments.)
- Optional Retirement Protection — equals a 12% of base salary contribution to a TIAA-CREF retirement annuity. (For new enrollees after June 30, 1999, this benefit provision will equal 10% of base salary.)
- Annual Benefit Increase — equals a 3% annual benefit increase after 36 months of disability payments.
- Two Benefit Waiting Periods — options include either a 180 or 90-day period following date of disability.

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HEALTH COSTS EXPECTED TO INCREASE

Many articles and recent consultant surveys indicate that employers should brace for a rise in overall health care costs. Some surveys are expecting average double digit increases by the end of 1999.

According to a survey of 4,181 U.S. employers by Wm. Mercer Inc., a consulting firm, health costs rose 6.1% in 1998 — nearly twice the rate of the medical component of the Consumer Price Index (CPI).

Prescription drug expenses are increasing at an even more disturbing rate — between a 15% to 18% increase in 1998.

The Mercer Survey also indicated the percentage of large employers providing health coverage to retirees not yet eligible for Medicare fell from 38% to 36% for 1998, while those providing coverage to Medicare — eligible retirees fell from 31% to 30%.

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TOBACCO USE AND HEALTH

There appears to be little disagreement that the use of tobacco results in:

- more general health problems
- substantially greater risk of cancer and lung/heart diseases
- substantially greater health costs

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HEALTH COSTS EXPECTED TO INCREASE

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For 1998, Indiana University's medical plans experienced a 2.2% average increase, and for 1999 there is expected to be a 9.6% average increase. While this trend is less than that reported by Mercer's survey of other U.S. employers, health plan costs are a focus of attention at Indiana University. The chart below provides additional facts regarding the University's health plan expenses.

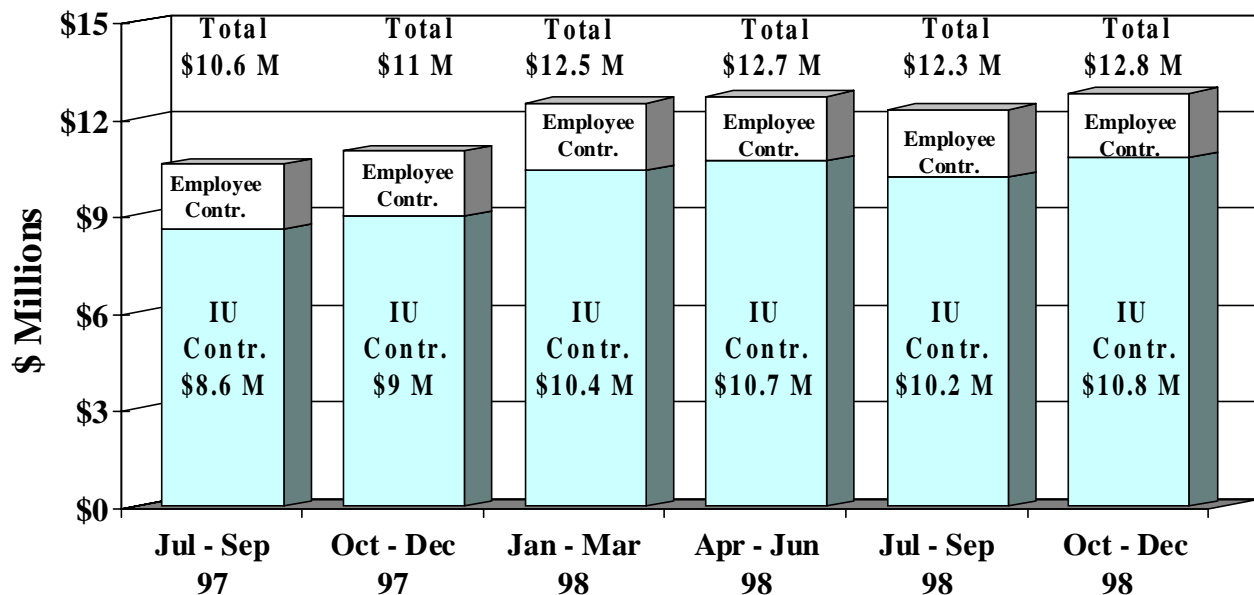
Some reasons for health cost increases:

- an aging population
- new, more expensive diagnostic tools
- advances in technology for most aspects of medical care
- new, more expensive prescription drugs
- increasing utilization of prescription drugs due to direct-to-consumer marketing and lifestyle expectations
- government mandates
- increasing provider reimbursement rates
- increasing "cost shift" to cover what the uninsured and underinsured population does not pay
- increasing "cost shift" to cover what Medicare and Medicaid programs do not pay

Useful Facts, Figures & Statistics

Indiana University

Health Care Plan Expenses by Quarter (9 Plans)



Total 1998 Expenses = \$50.3 million / 1998 IU Contributions = \$42.1 million

1998 IU Contributions per Enrolled Employee = \$3,342

1999 OPEN ENROLLMENT RESULTS

Health Care Plans	1999 Employee Enrollments	Change from 1998	% Change
IU PPO Healthcare — \$500 Deductible	1,095	-479	-30.4%
IU PPO Healthcare — \$900 Deductible	3,439	789	29.8%
IU Precision POS	4,458	147	3.4%
IU Health Plan POS	1,929	95	5.2%
M-Plan HMO	1,447	244	20.3%
Partners HMO	276	152	122.6%
AHDS HMO	90	-54	-37.5%
AHP POS	60	n/a	n/a
TOTAL	12,794 *	223	1.8%
<u>Tax Saver Benefits</u>			
Medical Reimbursement Account	3,600 *	190	5.6%
Dependent Care Reimbursement Account	622 *	42	7.2%
<i>*Total eligible population equals 14,344</i>			

TOBACCO USE AND HEALTH

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While a personal life-style issue, the use of tobacco is financially subsidized by non-tobacco users. An example of this "reallocation" is the fact that a group's health care premium includes an "extra" amount to cover the disproportionate medical claims by tobacco users.

Should Indiana University ignore the "extra" health care costs associated with the use of tobacco? Or should the University, like many other organizations, provide some sort of financial recognition for non-tobacco users? (For example: should non-tobacco users have a lower health care plan contribution? Or should non-tobacco users receive an IU-credit in their Tax Saver Benefit Medical Reimbursement account?)

Brief comments, suggestions or acknowledgements regarding this topic would be appreciated. Please forward such to: University Benefits Office, Attn: Tobacco Use and Health, Poplars Building, Room E199, Bloomington, IN 47405.

(Most communities have smoke cessation programs available at no or little cost. Some University campuses also provide or sponsor smoke cessation programs. If you would like assistance with quitting smoking contact: your physician or dentist; American Lung Association at 800-586-4872; National Cancer Institute at 800-422-6237; or IU Nicotine Dependence Program at 317-278-3981.)

LTD PLAN ENHANCEMENTS

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Full-time Appointed employees can apply for enrollment at anytime; LTD plan is **not** associated with annual Open Enrollment.

Newly eligible employees have 60 days from the date of hire to enroll, without regard to any medical conditions. Following this period, eligible employees need to complete a short questionnaire regarding their health to apply for coverage. Contact the campus Human Resource Office for additional information.

USEFUL FACTS ,FIGURES & STATISTICS

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.

	<u>Average</u> 5 yrs.	<u>Annual</u> 10 yrs.	<u>%Return</u> Life	Fund Inception		<u>Average</u> 5 yrs.	<u>Annual</u> 10 yrs.	<u>%Return</u> Life	Fund Inception
Money Market Funds					Stock Funds				
CREF Money Market	5.24	5.67	5.81	4/88	CREF Stock	19.39	16.53	11.70	7/52
Fidelity FMMT Retir.	5.19	5.60	5.59	12/88	CREF Growth	----	----	26.78	4/94
Fixed Annuity					International/World Funds				
TIAA Annuity	6.78	8.03	----	----	Fidelity Blue Chip	22.74	23.17	21.49	12/87
Bond Funds					Growth & Income Funds				
CREF Bond	6.77	----	8.73	3/90	CREF Soc. Choice	16.89	----	15.10	3/90
Fidelity Govt. Sec.	6.21	8.89	9.72	4/79	Fidelity Fund	23.08	18.59	11.34	4/30
Fidelity Inv. Grade	5.77	9.04	8.48	8/71	Fidelity Equity Inc.	18.52	15.69	14.81	5/66

Market Indexes

Dow Jones Ind.	22.18	18.74	----
S&P 500	24.06	19.21	----
NASDAQ	23.98	20.39	----
Russell 2000	11.87	12.92	----
EAFE	9.29	5.59	----

Figures for TIAA-CREF and Fidelity Investments and Market Indexes are as of 12/31/98.

1 Year % Return

PERF Options	6/30/96	6/30/97	6/30/98
Money Market Fund	2.18	5.39	5.53
Guaranteed Fund	8.40	9.00	9.00
Bond Fund	8.10	9.05	14.77
S&P 500 Stock Index Fund	----	33.36*	30.16*
US Small Co Stock Fund	----	22.36*	16.51*

*S&P 500 Index and Russell 2000 (small company)Index one year returns

University Benefits Office
 Indiana University
 Poplars 121
 Bloomington, IN 47405

Campus Mail